Financial Technology in Islamic Banks (Global experimental analysis)

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Abstract: The Islamic Banks is an important element of the modern market infrastructure, the biggest risk, facing the Islamic Banks at the moment, is the ability of business to meet the structural and technological changes, associated with digitalization, which is a mandatory .necessity and a determinant of achieving competitive advantages

The 2020 Global Islamic Bankers Survey (GIBS) from CIBAFI sought opinions and data from 101 Islamic banks, which outlined both their institutions' adoption of financial technology and their awareness of existing technologies. In addition, several technology trends—such as AI, machine learning, DLTs, and P2P were analyzed separately in order to understand how they may be implemented within Islamic banking. The data were compiled and analyzed using SPSS software. In doing so, this study clarified the perspective of Islamic banks on digital transformation and answered whether Islamic banks are taking the right direction in terms of their digitalization strategies. Interestingly, most newly developing technologies have a low implementation level in Islamic banking operations globally, with the exception of mobile banking, which already has a vast global infrastructure.

Key words: Islamic Banking; Digital Transformation; Banking technologies

Jel Classification Codes : G21;M21;O33

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1. Introduction:

Today, digital transformation is no longer a luxury or a symbol of the progress of peoples and nations. Rather, it has become the language of the age for dealing with an imposed reality. This is because it is the optimal way to ensure the quality and sustainability of institutions. Banks, whether traditional or Islamic, are no exception. Digital transformation in banks has become an inevitable step to keep pace with technological developments and meet customer expectations in a rapidly changing world. This is what a study conducted by STATISTA (Digital Transformation in Banking: What it means for businesses, 2022) confirms. It indicates that digital transformation in the banking industry is not limited to providing online and mobile banking services only. Rather, it requires innovation, adopting a combination of digital technology, and interacting with customers (Harahap, D. A, 2021, p. 11), thereby changing the entire financial landscape.

The Islamic banking industry plays a strategic role in developing the economy and helping transform it into productive, value-added, and comprehensive economic activities (Tanti ,W,N, 2021, p. 55). Therefore, it has never been immune to development, as it has undergone a radical transformation in confronting the Covid-19 pandemic, driven by the growth of digital technologies, adopting creative strategies for survival, and appropriate and wise measures that provide a better customer experience. This highlights the urgent need at the present time for Islamic banking to move towards creating advanced digital services that rise to the level of customer aspirations, who have become more connected, knowledgeable, and informed in light of the widespread use of the Internet. Therefore, digital transformation has become a requirement for Islamic banks. In this regard, the current literature establishes a consensus that Islamic banking services are more beneficial than their conventional counterparts in terms of digitalization and the adoption of financial technology. This theory is supported by the more flexible operational structure of Islamic finance and its core principles, which encourage digital transformation and the adoption of financial technology (Ahmet, F; et al, 2022, p. 207). However, the risk of facing structural and technological changes associated with digitalization remains (Tonina Yaneva, 2021, p. 97). Digitalization introduces new dimensions and ways of conducting financial business, requiring sector institutions to completely restructure their development strategies and transition to digitalization of their activities (Veleva, S., & Tsvetanova, A, 2020, p. 2), thus becoming a mandatory necessity and a determinant for achieving competitive advantages. This degree of importance has made the topic of digitalization of the Islamic banking industry a fertile field of emerging research.

Research Problem:

We are living in an age of speed and achievement. We require access to services and solutions wherever we are and whenever we want with the utmost ease and with higher levels of speed, efficiency, security, and information protection. This is a result of the tremendous development the world is witnessing in the field of digital technology, which has cast its shadow over all fields, and banks in particular. This has placed clear pressure on them, forcing them to improve their services and make them available across all digital channels. According to the Markets and Markets report, the global digital banking platform market is expected to grow from $8.2 billion in 2021 to $13.9 billion in 2026. The same report indicates that this expansion is due to the increasing demand from customers for a better experience and the increasing adoption of cloud technologies in banking institutions)Digital Transformation in Banking: What it means for businesses(2022 ،. Islamic banks are part of this growth, carrying a special nature that makes it a hot topic among experts around the world. However, understanding the digital transformation and its impact on the level of adoption, and the type of technologies adopted by Islamic banks, is limited in the size of the global sample (Ahmet, F; et al., 2022, p. 207). This makes the issue of developing it, diversifying its electronic services, and making them more modern an aspect that should be given attention due to its impact on achieving customer satisfaction, maintaining market share, and improving competitiveness.

Based on the above, this study aims to answer the following main questions:

What digital technologies are Islamic banks focusing on in the digital transformation race? What is the level of maturity for adopting this technology?

Study Objectives: The current study aims to:

- Identify the nature and purpose of digital transformation in Islamic banking operations.
- Identify the most prominent benefits of digital transformation in Islamic banks and the obstacles that hinder its implementation.
- Address the dimensions of digital transformation in Islamic banks.
- Identify the most common and widely adopted digital technologies in Islamic banks.
- Conduct a global empirical analysis focusing on the relationship between understanding the digitization process and the level of its adoption by Islamic banks in a sample of countries around the world.

Significance of the Study: The importance of the study is divided into two aspects.

Scientific Importance: The topic of digitization of Islamic banks is of great importance at the present time, but research on it is relatively limited, and its adoption is also rare. Therefore, the current study attempts to provide a simple coverage of concepts that take into account its specificity, referring to what relates to: the nature of Islamic banks, the dimensions of digital transformation in Islamic banks, the benefits and challenges resulting from digitization, and the combination of digital technologies adopted in the banking sector. Therefore, the study attempts to remove ambiguity about this topic and provide theoretical material regarding it.

Practical Importance: This can be summarized in the following points.

- Keeping pace with developments in the global banking environment.
- Providing a clear picture of the digital technologies used in global Islamic banks.
- Providing a set of recommendations that contribute to some extent to achieving digital leadership for Islamic banks.

2. Digitization of Islamic Banks

The COVID-19 pandemic in 2020 marked a critical turning point, accelerating the pace of digital transformation in the banking sector after years of stagnation. Quarantine and social distancing measures forced banks to rapidly shift toward digital solutions. In Europe, for example, there was a 72% increase in the use of fintech applications since the lockdown (Theiri & Alareeni, 2021, p. 2), enabling the continuity of economic activities and banking services, thanks to tools such as mobile payments and digital wallets. These technologies allowed customers to conduct their transactions remotely, contributing to improved operational efficiency within banks and prompting serious consideration of the permanent adoption of these solutions.

Many studies, such as)Trang;D,D et al(2022 ،, and the study (Theiri & Alareeni, 2021), have confirmed that technological innovation ensures the growth and continuity of banks, whether conventional or Islamic.

According to the Indonesian Center for Economic Reform (CORE), "the conditions for the growth of Islamic banking services are no different from those of conventional banks" (Tanti ,W,N, 2021, p. 726), meaning that the financial sector, surrounded by opportunities and challenges arising from the dynamism of the business environment, is in dire need of adapting to the digital economy. Based on the above, this section will address: Islamic banks, digital transformation in Islamic banks, the benefits of digital transformation in Islamic banks and the obstacles that prevent its implementation, and the most common technological techniques in the banking sector.

2.1 Islamic Banks:

Scientific necessity calls for addressing the concept of an Islamic bank and revealing its specific nature. The latter is defined as: "A bank that conducts commercial activities based on the principles of Islamic law. It differs from conventional banks in the operating principle used, as the former operates on the basis of interest, while the latter operates on the basis of profit-sharing, in addition to buying, selling, and leasing. This is based on the belief that interest contains elements of usury, which are prohibited by Islam" (Tanti, W, N, 2021, p. 56). The legal terminology dictionary by Andrea Fockema defines it as "banks operating in accordance with the principles of Islamic law, which refer to the provisions of the Qur'an and the Sunnah," which have been imposed since the time of the Prophet Muhammad (peace be upon him). Islamic banking is based on the principle that there is no interest in every transaction, and the business conducted does not conflict with Islamic law and applicable law" (Siti,N,A, 2021, p. 726). It differs from the past in that current Islamic banking services utilize technology that allows Islamic banking to be systematically regulated through legal and political support for mergers and digitization.

2.2 Digital Transformation in Islamic Banks:

Almost all industries have immersed themselves in digitizing their operations, and the financial sector is no exception. Butler (2020) noted that banks, being subject to heavy regulation, have invested more in information technology than others, seeking to improve their operational processes by creating new value-added products, and developing new business models to improve profitability and build and maintain close customer relationships (Guzmán.C.V et al, 2020, p. 338). The term digital transformation, also known as digital entrepreneurship, is often understood as "the proactive implementation of the latest technologies to enhance business" (Kingsley , 2021, p. 69). Yamaç Kaya et al. (Yamaç Kaya et al, 2023, p. 6) considered digital transformation "a comprehensive change journey that a bank undergoes as a result of the emergence of new technologies and their potential social and economic impacts to improve its operational effectiveness." Joško Lozić et al. (Joško Lozić et al, 2024, p. 6) added that it is a process aimed at improving the bank's entity by bringing about fundamental changes in its characteristics through a combination of information, computing, communications, and technology. This makes digital transformation a phased process, related to an initial analysis of the bank's needs and their integration through digital technologies into its operations and activities. Digital transformation is not limited to a simple application of information and communication technology, but rather takes on a broader concept as a response to new technologies with digital features, such as cloud computing, artificial intelligence, the Internet of Things (IoT), and blockchain, with the aim of transcending the constraints of time and space (Thuy Thu Nguyen et al, 2023, p. 4), which can be explored to make significant changes to the business operating model, provide a high-value customer experience, simplify operations, or create a new business model (Riris Shanti ;et al, 2024, p. 4) .

Based on the above, we find that digital transformation in Islamic banks is not just a technological change, but rather a cultural, organizational, and administrative change governed by the teachings of Islamic Sharia. It is brought about by the intelligent integration of digital technologies, processes, and competencies, encompassing strategies, products, operations, and business models, with the goal of achieving customer satisfaction through information management and improving customer experience, forming a strategic approach aimed at enhancing competitiveness.

2.3 Motives for Adopting Digital Transformation in Banks*:*

Banks typically adopt digital technologies to accelerate banking operations, not to mention their ease and efficiency, on the one hand, and the ability to interact directly with the public, on the other hand (Mohamed Salem Dabnoun, Zamzam Al-Jadi, 2023). In this section, Rawya Belqasmi, Abdelrazaq Salam, 2024, listed the following motives considered key for adopting DT in the banking sector:

1-Improving customer experience: Improving customer experience is one of the most prominent drivers of digital transformation. This transformation seeks to provide easy and fast services that better meet customer needs through the use of banking applications and websites. It also enables customers to access services anytime, anywhere. Banks can analyze customer behavior through data, which helps provide personalized offers tailored to their needs, thus enhancing customer satisfaction and loyalty.

2-Increasing operational efficiencies: Banks are increasing their operational efficiency by reducing reliance on manual procedures through the use of automated systems. This enables tasks, such as processing loans or providing services, to be performed faster and more accurately. Digital transformation also contributes to improving internal workflows, facilitating collaboration between teams and enhancing productivity, leading to results achieved with the lowest possible cost and time.

3-Adapting to market changes: Digital transformation enables banks to quickly adapt to changes in the market and customer needs. By using advanced analytics, banks can monitor trends and predict future changes, helping them make informed strategic decisions. This rapid adaptation allows the bank to better respond to new challenges, enhancing its ability to stay ahead of the competition.

4-Innovation and Product Development: Innovation in product development is one of the key drivers of digital transformation, as it enables banks to offer new services, such as digital loans or mobile payment solutions. In addition, digital transformation contributes to improving existing products by adding new features or enhancing the user interface, which better meets customer needs and enhances their competitiveness.

5-Data Analysis: Digital transformation contributes to improving data analysis capabilities, enabling banks to make decisions based on accurate information. Big data helps understand customer behavior and preferences, facilitating the provision of personalized services.

6-Increased security: Increased security is a key driver of DT, as modern technologies such as encryption and digital signatures provide higher levels of data and transaction protection. DT also facilitates compliance with security and privacy standards and regulations, enhancing trust between customers and the bank.

7-Access to new markets: Digital transformation can open new doors for banks, allowing them to access new markets and expand their customer base. Through digital platforms, banks can target customers who were previously unreachable through traditional branches. DT also helps provide services in new geographic areas without the need to open new branches.

Furthermore, a study by Zeinat Asma and Zeboush Mohammed (2025, p. 265) indicated that competition is a primary driver of adopting digital transformation for both governments and the banking sector. The emergence of 100% digital companies has proven fiercely competitive, creating strong customer interactions thanks to their use of digital technologies and their lower costs compared to traditional transactions. This has encouraged many companies to adapt to the digital revolution.

Farhi Zakaria and Malah Wiam (2023) added that the emergence of digital banks has intensified competition, as they have created strong customer interactions thanks to their online presence. This, in turn, has reduced their transaction costs, enabling them to put significant pressure on prices in the market. The same study indicated that banks' failure to keep pace with the digital revolution could be a reason for their bankruptcy due to the obsolescence of their services.

Therefore, managers must invest in tools and methods to achieve maximum benefit by rethinking their position in the market and innovating new products that ensure their survival and ability to compete.

2.4 Digital Transformation Strategies in Banks :

In fact, when a bank wants to transform digitally, it must have a clearly defined action plan with specific timelines that takes into account its actual resources and capabilities. This is

the transformation strategy, in brief. In this regard, digital technology transformation strategies can be summarized in three main strategies:

2.4.1 Strategy for responding to new competition:

At this stage, organizations in general, and banks in particular, respond to changes in the supply and demand for financial services by developing new digital products and services that position themselves in a new competitive environment. Note that organizations adopt a strategy of responding to environmental changes, meaning they follow the market leader.

2.4.2 Technology Adaptation Strategy :

This stage of the digital banking transformation process involves profound changes to the infrastructure of the technology platform, transforming it into a more flexible infrastructure to accommodate new technology, as well as speeding up the development process and introducing new products.

2.4.3 Positioning Strategy:

In this strategy, financial institutions attempt to make their major investments in technology pay off by adopting digital strategies that involve a radical change in their organizational structure, making them pioneers in their field and establishing themselves among market leaders. This strategy can be called the "electronic consolidation strategy".

According to a study conducted by (Kingsley , 2021) on the digital transformation adoption strategies used by banks in developing countries during the Covid-19 pandemic, we present them as follows: (Kingsley, 2021, pp. 76-77).

2.4.4 Strategy for enhancing online banking acceptance:

Today, banks collaborate with customers to identify the challenges they face and find appropriate solutions to enhance digital transformation.

2.4.5 Hybrid Financial Services Strategies :

This strategy relies on a customer-centric banking approach that combines direct interaction with electronic banking services, playing a key role in ensuring the sustainability of banks in developing countries until digital transformation is fully embraced by customers. Banks must also reduce the high costs associated with modern technologies. Therefore, designing a valuable banking institution is not limited to integrating technological tools or transferring information to the cloud, but also includes adopting comprehensive methods and strategies from the outset, i.e., from customer to bank, taking into account the conditions and factors influencing the implementation of digital transformation.

2.5 The combination of technological technologies required in the banking sector :

The rules of the game have changed for financial institutions with the emergence of Bank 4.0. Banks have begun developing a detailed strategy to revamp their operating models, enhance customer offerings, and create a customer-centric process from start to finish. For this process to succeed, the banking sector has embraced digital transformation technologies to generate value for both banks and their customers. In this regard,)Digital Transformation in Banking: What it means for businesses(2022 ، points to the most prevalent fintech technologies in the banking sector, forming the following list:

- Artificial Intelligence (AI)
- Mobile Technology
- Chatbot Consulting
- Internet of Things (IoT)
- Big Data
- Cloud Computing
- Blockchain

Banks use a combination of the digital technologies mentioned above, to serve their competitive goals. We will detail them in Table No. (01).

Table No. (01): Combination of the most common technological techniques in the banking sector

Technology	Description	Benefits and opportunities
Big data	Comprehensive recording and real-time updating of all information flows	Helps banks analyze customer spending, monitor risks, and manage feedback to increase customer loyalty. Quick to respond to growing market demands.
Artificial intelligence/ Chatbot	Intelligence displayed by machines is used to develop computer programs for cognitive functions and problem-solving. Robotic advice is a model of automated advice that has the ability to provide advice in a more effective and less costly manner.	Increase efficiency and quality of customer experience, improve costs and speed up the service process, and eliminate damages.
Internet of Things	Creating a connected world that enables data collection via smart sensors: These include wearable devices (the widest range, providing personalized information to the user and transforming data into effective digital marketing technology.	Making the customer experience more personal and customized, customers can easily make contactless payments within seconds, manage risks and authorization processes, and access multiple platforms.
cloud computing	It is defined as high-quality computing services provided to users over the Internet, including data and software through servers located in remote locations. It can be likened to the process of outsourcing services.	Process efficiency and flexibility, savings in configuration, development, hardware, licensing, installation and maintenance costs of traditional systems; availability of data anywhere and anytime
Blockchain	A decentralized database for all digital transactions, a technology for storing information using encryption and algorithms.	One of the biggest trends in digital banking technology. It offers security and reliability, and customers believe it makes banking transactions and operations more transparent and convenient.
Mobile Technology	Smartphones and tablets with their apps will replace desktop computers to reach customers.	Reduce costs, increase sales volume, improve customer experience, and enable personalization of offers (formulating products and offers according to the customer's daily expenses).

Source: (Digital Transformation in Banking: What it means for businesses, 2022) / (Tonina Yaneva, 2021, p. 98) / (Sharaka Sabrina, 2021, pp. 22-23) / (Imad Nassif Makki, 2021, pp. 25-36) / Adapted.

The changing technological landscape appears to pose a greater challenge for larger banks, as they are less flexible in changing their operational structure (Sibanda, W et al, 2020, p. 187) . Therefore, it can be hypothesized that smaller banks have a greater advantage in digital

transformation than larger banks. Considering that Islamic banking is much older than conventional banking, the existing literature establishes a consensus that Islamic banking is more advantageous than its conventional counterparts in terms of digitalization and fintech adoption. This theory is supported by the more flexible operational structure of Islamic finance and its core principles, which encourage digital transformation and fintech adoption (Patria Yunita, 2021, p. 58). To prove this, we adopted the following partial.

3. Technological Trends in Islamic Banking: A Global Empirical Analysis :

The digitization of the financial banking sector is currently lagging behind compared to other industries. The financial sector has yet to fully exploit the potential of digital technologies, and most industry participants believe that digitization will fundamentally change value creation in this industry. To uncover the true state of technology adoption in Islamic banks, we relied on a study by Ahmet Faruk et al. (2022), which is based on unique data obtained from the Global Islamic Bankers Survey conducted by the General Council for Islamic Banks and Financial Institutions (CIBAFI) in 2020. The survey covered the topic of digitization and customer experience in the Islamic banking sector by surveying 101 Islamic banks worldwide .

The main question of this article analyzes the importance of seven technology trends related to the digital transformation of Islamic banks: artificial intelligence, machine learning, big data, peer-to-peer (P2P), open banking, mobile banking/payments, cryptocurrencies, other uses of blockchain or other distributed ledger technologies (DLT), and robo-advisory. This question examines Islamic banks' understanding of these technologies and whether they are taking sufficient steps to integrate them into their institutional infrastructure.

The GIBS survey was conducted from November 2019 to February 2020, covering 35 countries and 101 Islamic banks annually. These countries were classified into seven groups to capture geographic trends. Table 2 summarizes the country rankings for 2020.

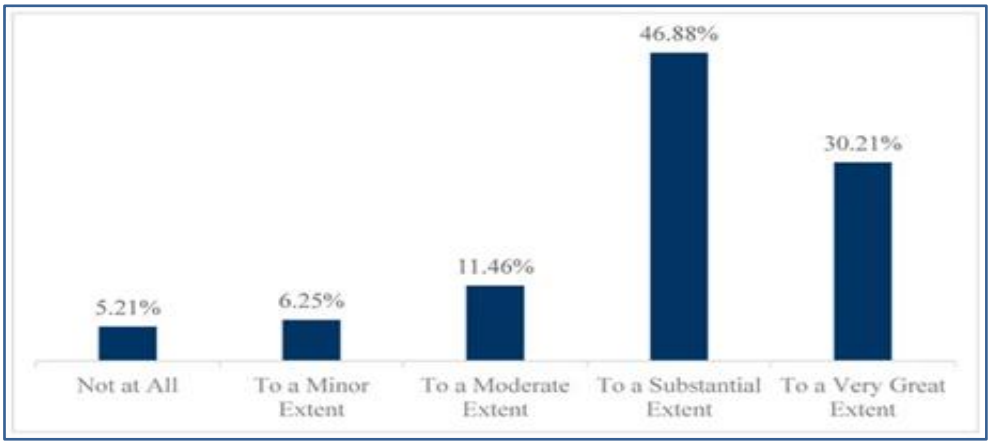
Table No. (02): Countries and Group in the GIBS Survey for the year 2020

Number of banks in the group	Countries	Region	Groups
16	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	GCC/Gulf Cooperation Council	Group 1
22	Egypt, Iraq, Jordan, Palestine, Syria, Yemen	Middle East ex-GCC	Group 2
7	Malaysia, Indonesia	Southeast Asia	Group 3
14	Afghanistan, Bangladesh, Pakistan, Sri Lanka	West, Central, and South Asia	Group 4
27	Algeria, Libya, Morocco, Sudan, Tunisia	North Africa	Group5
8	Djibouti, Guinea, Kenya, Mauritania, South Africa, Nigeria, Somalia, Burkina Faso	Sub Saharan Africa	Group 6
7	Bosnia and Herzegovina, Germany, Türkiye, United Kingdom	Europe	Group 7
101Islamic banks	35countries		the total

Source: (Ahmet, F; et al, 2022, p. 210(

Descriptive statistics of the data show that most banks place technology at the core of their core business activities. In response to the survey question, "To what extent does your institution place technology at the core of its activities?", more than 70% of respondents reported having a moderate interest in technology. Figure (01) shows the percentages of respondents to the survey question.

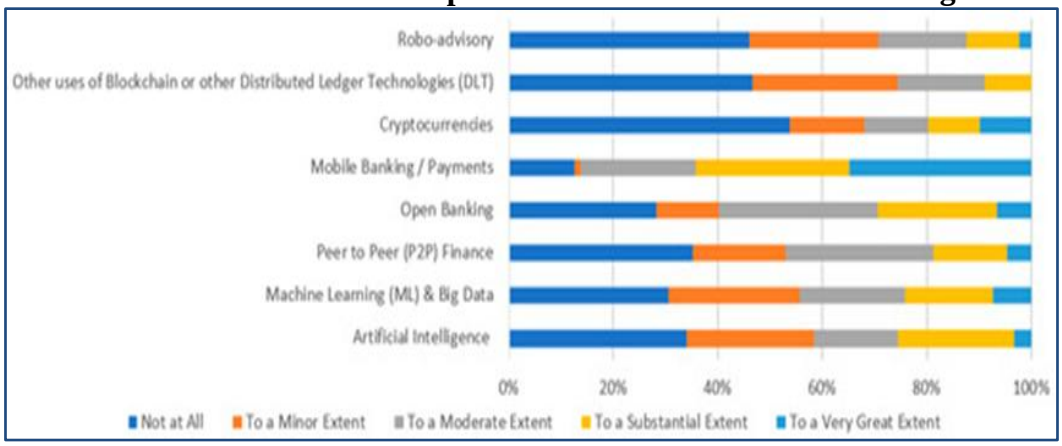
Figure No. (01): To what extent does your organization place technology at the core of its activities?



Source : (Ahmet, F; et al, 2022, p. 211)

Figure (1) shows that mobile banking/payments are the technologies most widely applied by Islamic banks. In contrast, cryptocurrencies, distributed ledger technology (DLT), automated consulting, etc., have lower levels of implementation.

Figure (02): The relationship between the level of technology adoption in the core activities of Islamic banks and the implementation of trends and technologies



Source : (Ahmet, F; et al, 2022, p. 211)

The correlation between various technological trends and digital transformation supports the above analysis of the implemented technologies. Therefore, the reciprocal relationship between technological trends and digital transformation was tested, as shown in Table No. (03).

Table No. (03): The interrelationship between different technological trends and digital transformation.

Chatbot	Blockchain أو DLTs	digital currencies	Mobile Technology	Open Banking	)P2P(	(ML) and Big data	(AI)	DT		
0.227 *	0.268 *	0.218 *	0.424 **	0.298 **	0.347 **	0.407 **	0.395 **	1	Pearson correlati	Digital transform

									on	ation
0.033	0.011	0.039	0.000	0.004	0.001	0.000	0.000		Sig	
88	89	90	93	91	84	93	92	96	N	

Source : (Ahmet, F; et al, 2022, p. 212)

The table above shows that the most significant correlation is between mobile services and digital transformation, followed by the relationship between machine learning (ML), big data, and digital technology. The third strongest correlation is between P2P and digital transformation. This indicates that the implementation level of new technologies is low for the most advanced Islamic banks in terms of digital transformation.

To test the third hypothesis, which examines the possibility of geographic location affecting Islamic banks' adoption of digital technologies, such as artificial intelligence (AI), machine learning (ML), big data, P2P, blockchain, and other uses of distributed ledger technology (DLT), the researcher adopted a one-way ANOVA analysis, the results of which are shown in Table (4).

Table No. (04) One-way ANOVA test (importance of technological trends).

One-Way ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Artificial Intelligence (AI)	Between groups	22.108	6	3.685	2.594	0.023
	Within groups	123.594	87	1.421		
	Total	145.702	93			
Machine Learning and Big Data (ML(	Between groups	23.896	6	3.983	2.681	0.020
	Within groups	129.221	87	1.485		
	Total	153.117	93			
Peer to Peer (P2P)	Between groups	22.605	6	3.767	2.779	0.017
	Within groups	104.383	77	1.356		
	Total	126.988	83			
Open Banking	Between groups	15.535	6	2.589	1.636	0.147
	Within groups	132.905	84	1.582		
	Total	148.440	90			
Telephone Banking Services / Payments	Between groups	15.372	6	2.562	1.554	0.170
	Within groups	143.436	87	1.649		
	Total	158.809	93			
Cryptocurrencies	Between groups	7.894	6	1.316	0.652	0.688
	Within groups	167.394	83	2.017		
	Total	175.289	89			
Uses of Blockchain and Distributed Ledger Technologies	Between groups	21.492	6	3.582	4.527	0.001
	Within groups	64.890	82	0.791		

(DLT(	Total	86.382	88			
Chatbot	Between groups	9.650	6	1.608	1.311	0.262
	Within groups	99.338	81	1.226		
	Total	108.989	87			

Source : (Ahmet, F; et al, 2022, p. 212)

A one-way ANOVA test shows that mobile banking is one of the trends where the variation in implementation is not based on geography. This is explained by the widespread penetration of smartphones worldwide, as the infrastructure for this technology is already widely present. On the other hand, other trends that require new and robust R&D-based infrastructure, such as artificial intelligence or DLT-based technologies, are not as popular, which explains the significant variation in implementation from one region to another.

Conclusion

Recently, major developments have taken place globally, with technology advancing dramatically and transforming globally leading industries despite their conservative and stringent regulations. Global Islamic banks are now moving toward change and have demonstrated their desire for technological transformation to achieve maximum efficiency. To achieve this level, they will have to adopt digital technologies that enable them to increase their revenues, reduce their costs, and double their sales volume. This will be achieved by responding quickly and appropriately to their customers' needs and expectations based on big data analysis or by seeking out Insurtech companies as the primary agents of change. This will ensure rapid technological transformation and total automation of operations, given the high cost of self-digitization.

Study Results:

-The adoption and implementation of technology in the core business activities of financial institutions is valid for both conventional and Islamic financial sectors.

-Tests conducted on data collected through a CIBAFI survey revealed significant interest among Islamic banks in digital transformation. However, an analysis of the trends implemented and how these trends relate to digital transformation revealed that Islamic banks generally associate digital transformation with established and fundamental trends and technologies.

-The test results show that most Islamic bankers' digital transformation is limited to mobile banking and big data. This raises questions about the awareness and accuracy of Islamic banks' visions for digitalization.

-Banks face challenges adapting to the dramatic restructuring requirements of the various technologies mentioned in this study.

Recommendations:

-Islamic banks worldwide recognize the importance of digitalization for their survival. However, they must make greater efforts to adopt critical technologies in banking operations, such as DLT and cryptoassets, as their implementation level is close to zero globally.

-Leverage blockchain, the Internet of Things (IoT), and artificial intelligence (AI) as key areas with significant potential to streamline banking operations and enhance customer experience.

-The scale and level of technological development in the regions where Islamic banks operate poses challenges in the digital transformation journey. Islamic banks must overcome these challenges and understand the urgency of adopting technology as a driver of business growth.

The growth of Islamic banks also depends on addressing challenges that are truly customer-centric, requiring them to place the customer at the heart of their strategy. This is achieved through the intelligent use of data collected from the Internet of Things and connected devices to understand customer needs and provide personalized offers at tailored prices.

-Establishing strategic partnerships with InsurTech companies, which ensure Islamic banks have access to advanced technological capabilities and skills, given the rising cost of digitization.

- The future study will focus on how Islamic banks worldwide are systematically adopting technological trends and how this can be an advantage for the Islamic banking industry.

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