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The role of Islamic financial technology in supporting and developing the work of Islamic financial institutions

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Abstract:

The study aims to shed light on financial technology (FinTech) and its role in supporting Islamic financial institutions. The descriptive method was adopted to understand the theoretical literature on the two variables, along with the analytical method to explore developments in the services provided by FinTech to Islamic financial institutions. The study concluded that FinTech significantly and prominently contributes to enhancing the performance growth of Islamic financial institutions. This is achieved through the advanced legitimate digital financial services offered by FinTech companies, which have improved the quality of financial services provided by these institutions, reduced their cost burdens, and supported their competitiveness in the market.

Keywords: Islamic financial institutions; Financial technology (FinTech); Islamic financial services.

Jel Classification Codes: G20 , O32, O43

1. INTRODUCTION

In the current century, the global economy has entered a new phase characterized by numerous changes that have fundamentally impacted many economic concepts. Opinions have varied regarding the emergence of new concepts or the reformation of existing ones. Technology, in general, has significantly contributed to this rapid change, especially in the industrial sector (both in goods and services industries). Today, technology has permeated companies of all kinds, creating competition centered around who can acquire, control, and utilize it to their advantage first. This is due to the various benefits technology offers, particularly in terms of quality, cost, time, and, more importantly, sustainability.

Technology has infiltrated every field, dominating the minutiae of industrial, production, and service chains, among others, to the extent that this phenomenon has become known as the technological revolution. Like all other institutions, Islamic financial institutions have hurried to embrace this revolution in search of its benefits and to face this challenge, striving not to fall behind. Lagging in this domain could have severe repercussions on previous achievements and even on the institution's very existence. Therefore, it is imperative for Islamic financial institutions to adopt technology in the financial sector to achieve institutional, economic, and social goals and ensure their sustainability amidst intensifying competition.

Financial technology has significantly contributed to providing various services and techniques that have positively impacted the quality of financial services and products. It has also reduced the time required to benefit from these services and lowered the costs borne by financial institutions, thereby supporting financial inclusion from which all segments of society have benefited.

From the above, we pose the central question to further understand the subject of the study:

- What Has Financial Technology Contributed to Supporting the Role of Islamic Financial Institutions?

To answer the main question, we have divided the research into three main axes:

First Axis:Conceptual Framework on Islamic Financial Institutions and Financial Technology

Second Axis: The Relationship between Financial Technology and Islamic Financial Institutions

Third Axis:The Reality of Financial Technology Support for Islamic Financial Institutions

1.1 **Objectives of the Study :** The research objectives can be outlined through the following points:

- To understand the theoretical aspect of Islamic financial institutions and their goals;
- To comprehend the concept of financial technology, its most important characteristics, and its fields;
- To determine the relationship between financial technology and Islamic financial institutions;
- To recognize real-world models of Islamic financial technology applications and their support for Islamic financial institutions.

1.2 **Significance of the Study :** The study holds significant importance in understanding the concepts of financial technology and what it can offer to Islamic financial institutions in terms of services that align with ethical and Sharia-compliant principles. These contributions can support and develop their services, enabling them to keep pace with the ongoing technological revolution, which traditional financial institutions have pioneered in adopting and supporting. This imposes a necessity on Islamic financial institutions to follow suit to maintain their market share and enhance their competitiveness.

1.3 **Methodology of the Study :** The descriptive-analytical method was employed as it is the most suitable approach for presenting the literary aspect of the study variables, as well as the practical aspect related to inferential data and its economic implications.

1.4 **Theoretical Framework and Previous Studies :** A study conducted by Kabir Hassan et al. (2022) entitled"Financial Technology and Islamic

Financial Institutions"concluded with three main findings: Financial technology has become a powerful tool for achieving sustainable results for financial institutions by reducing the cost of financial services, providing convenience to customers, and addressing the sudden growth of financial technology companies which has disrupted financial markets, creating a gap between the supply and demand for financial services, and a gap between the leading companies and countries in financial technology and those lagging behind. Despite the constraints in market structure, regulation, and compliance with Islamic law, the growth rate of Islamic financial technology is increasing rapidly. It is expected that the collaborative effort by regulators and participants will establish frameworks to control the spread of financial technology companies, which could potentially threaten the stability of the Islamic finance system.

Another study carried out by Abdul Karim Alawi and Mohamed Tawfiq Meziane (2022) and titled "Islamic Financial Technology and its Role in Enhancing the Growth of Islamic Finance"aimed to highlight the role of Islamic financial technology in enhancing and improving the quality of Islamic finance. It concluded that the Islamic financial industry is continuously growing, and the growth rate can be increased by regulatory bodies in Islamic countries developing the ecosystem for Islamic financial institutions and aligning it with the advancements of the fourth industrial revolution using Islamic financial technology tools.

2. Conceptual Framework on Islamic Financial Institutions and Financial Technology

The Islamic financial system comprises a variety of institutions, including banks, investment funds, insurance institutions, and other investment entities such as zakat and waqf funds, leasing institutions, and others. These institutions operate under laws and regulations that align with Sharia objectives and adhere to Islamic principles in their operations and goal achievements.

2.1 Overview of Key Islamic Financial Institutions

Islamic financial institutions are a group of institutions committed to providing products, services, and instruments that comply with Sharia law.

They ensure that the contracts they enter into are free from Sharia violations that could invalidate them. These institutions aim to achieve economic, social, and developmental goals without contravening Sharia principles.

2.1.1 Islamic Bank : "An Islamic bank is a financial institution that provides banking and financial services, engages in financing and investment activities in various fields based on the rules and principles of Islam. Its goal is to instill Islamic values, ideals, and ethics in transactions, and to contribute to social and economic development by utilizing funds to help achieve a decent and honorable life for the Islamic community" (Qadri et al., 2014, pp. 26-27)

2.1. 2 Islamic Investment Fund: An Islamic investment fund is one whose manager adheres to Islamic principles regarding assets, liabilities, and operations, such as avoiding prohibited interest-based transactions. These regulations are outlined in the prospectus that guides investors in choosing the fund and in the terms and conditions signed by the parties at subscription (Kantakji, 2010, p. 462)

2.1. 3 Takaful Insurance Institution : A Takaful insurance institution is a company founded by shareholders to conduct insurance and investment activities according to Islamic principles. Its main activities include insuring whatever is stipulated in the insurance documents for the benefit of participants (policyholders) and investing any surplus funds from participants (surplus insurance funds) with a profit share or for a fee (Atallah, 2014, p. 64).

2.1. 4 Zakat Institution : A Zakat institution is defined as "an entity with social and economic significance that operates according to Islamic principles and has its own laws and regulations to govern its activities and achieve its objectives. It collects zakat and other charitable donations and distributes them according to Sharia law" (Allam, 2022, p. 44).

2.2 Definition of Financial Technology

The Financial Stability Board defines financial technology (Finance Technology) as "a financial innovation relying on technology that enables the creation of new and innovative business models, applications, processes, or products, which have a clear impact on financial markets, financial institutions, and the way financial services are provided" (Munee et al., 2022, p. 4)

The Digital Research Institute in Dublin, the capital of Poland, defines financial technology as "all new technological inventions and innovations related to the financial sector, including digital programs used in banks' financial operations such as customer transactions, financial services like money transfers and currency exchanges, interest and profit rate calculations, expected profit forecasting for investments, and other banking operations" (Mahmoud, 2024).

The differences in financial systems inevitably lead to differences in terminology and their meanings. In addition to financial technology related to traditional financial systems, there exists what is known as Islamic financial technology within the Islamic financial system. So, what is the definition of Islamic financial technology?

Islamic financial technology is defined as a combination of technology and Islamic finance. The digital distribution of Sharia-compliant financial products and services is carried out through innovative digital channels known as inclusive channels. It employs revolutionary technologies such as Artificial Intelligence (AI), Blockchain, Big Data, comprehensive cloud computing, and Internet of Things (IoT) devices to deliver Islamic financial services in a more advanced and transparent manner. Its activities involve disseminating new technology-based business models to enhance economic, environmental, financial, and social goals (Hassnian et al, 2019, p. 30).

Thus, financial technology is the integration of technology and finance to facilitate processes and transactions related to financial institutions. It contributes to the innovation and creation of financial tools that are high in quality, efficient in performance, cost-effective, and time-saving, which ultimately reflects positively on customer satisfaction with these institutions.

2.4 Characteristics of Financial Technology

The key characteristics of financial technology can be summarized as follows: (Dwi Tatak, 2021, p. 153):

- **Utilization of Information Technology:** Financial technology employs IT to deliver financial solutions in the form of services, prioritizing compliance with governance principles and risk management.
- **Speed and Efficiency:** It enables quick access to and utilization of financial services provided by financial institutions, making payment processes easier and without additional costs.
- **Investment Facility:** Fintech platforms offer opportunities for individuals and institutions to benefit from investment financial services, such as investing in securities and other financial assets.
- **Better Financial Management:** Fintech provides asset and wealth management services through advisory and regulatory electronic platforms.
- **Economic Growth Support:** By supporting small and medium-sized enterprises (SMEs) and micro-enterprises, fintech promotes national financial inclusion, encouraging all segments of society to use financial services and contribute to economic activities.
- **Simplicity and Ease of Use:** Fintech products are characterized by their simplicity, ease of use, and high convenience. They often operate on models that allow users to engage without needing prior authorization (Zaikh & Younesi, 2022, p. 750).

3. The Relationship Between Financial Technology and Islamic Financial Institutions

Digitization is one of the most significant features of the financial system due to its extreme sensitivity and importance in global and local economies. Hence, the focus on adopting digitization and developing digital technologies and strategies plays a crucial role in supporting financial institutions in line with contemporary requirements and market needs.

3.1 The Role of Financial Technology in Supporting Islamic Financial Institutions

Financial technology provides a range of services that meet the needs of Islamic financial institutions and support the development of their financial technologies. Among the most important areas and services that financial technology offers, which align with Islamic principles, are: (Tallem, 2022, pp. 255-256)

Payments and Transfers : Payment operations are among the most prominent and widely used by consumers. Therefore, technologies related to these operations are highly advanced due to the ease of applying financial technology to them. Financial technology develops payment systems by facilitating and speeding up operations, ensuring security for all parties involved, and utilizing simple means like mobile phones.

Finance Sector : Financial technology develops modern financing systems that keep pace with advancements in the field. One of the most significant Shariah-compliant financing systems is crowdfunding, which is one of the prominent lawful financings. Crowdfunding relies on collecting small savings from a large number of individuals to fund large-scale projects. Dedicated internet-connected platforms act as intermediaries, connecting those with surplus funds to those in need.

Assets and Wealth Management Sector : Fintech focuses on providing financial management services as advisory services to individuals regarding their financial dealings and preferences (investment, consumption, saving, etc.). This is done through specialized digital platforms that gather data and information about customer preferences, and design a tailored strategy using appropriate financial products and services (Guendouz, 2019, p. 77).

Insurance Sector : Today, there is what is known as insurance technology (InsurTech), which aims to use artificial intelligence and big data to simplify and enhance the efficiency of the insurance industry. It helps insurance companies build more accurate risk categories, allowing for fairer and more competitive pricing of insurance products, creating on-demand insurance for minor events, and adopting the peer-to-peer (P2P) model for specialized collective coverage and incentivizing positive choices through group discounts (Guendouz, 2019, p. 64).

Regulatory Technology (RegTech) : RegTech is a technology that aids the financial services industry in managing regulatory processes, including regulatory monitoring, reporting, and compliance (Guendouz, 2019, p. 73). As risks surrounding Islamic financial institutions increase (e.g., default risk, money laundering risk, privacy protection, third-party risk), regulatory costs to address these issues also increase. Financial technology has helped to implement many compliance rules through several systems, including Know Your Customer (KYC) to verify customers' identities in financial institutions to prevent fraud, and Anti-Money Laundering (AML) systems to reduce illicitly obtained proceeds. It is also used for digital identity management, risk data collection, and regulatory gap analysis, among others (Tallem, 2022, p. 262).

Blockchain : Blockchain technology is similar to a large database and information record that logs transaction movements by a network of computers. These database copies are continuously and automatically updated. All participants share the same database, which is immutable and secure from tampering (Bani Amer & Tahseen, 2019, p. 2). This technology has contributed to the emergence of many financial technologies, such as smart contracts, cryptocurrencies, and distributed ledger technology, among others (Guendouz, 2019, p. 64). It has enabled institutions and individuals to conduct more transparent transactions and execute deals with minimal fraud, along with efficient and speedy clearing and settlements, thus reducing operational risks. It allows banks to process payments faster and more accurately while reducing costs (Bani Amer & Tahseen, 2019, pp. 8-9). If used justly, this technology can revolutionize the services provided by Islamic banks by supporting transparency and protection, increasing customer trust in various bank transactions backed by technology, and benefiting from significantly lower service costs, saving the bank substantial expenses (Amrouch & Shenaite, 2023, p. 106).

Open Banking : The concept of open banking involves allowing banks to grant third parties, typically fintech companies (startups), the ability to build innovative applications and services for consumers using bank data. These applications are called Application Programming Interfaces (APIs). APIs are codes that allow different financial programs to communicate with each other, creating a connected network of financial institutions and application providers. This enables the development of new applications that allow customers to control their banking data and make financial decisions using mobile phones and other devices (Guendouz, 2019, p. 80).

3.2 Benefits Offered by Fintech to Islamic Financial Institutions

Financial technology provides several advantages to Islamic financial institutions, both in terms of services and products, as well as in enhancing their role and competitiveness in the market. The following are the most important of these benefits: (Amrouch & Shenaite, 2023, pp. 110-112).

Speed of Execution : One of the distinguishing features of fintech is its reliance on automation in delivering services and innovating new financial tools, especially with the introduction of artificial intelligence (AI). This has significantly accelerated service delivery times and shortened the turnaround time for utilizing services in a very short period.

Quality of Innovative Services and Products : Financial technology supports innovation and development in the field of financial services and products by striving to offer the best possible services and products that meet the needs and desires of customers and investors. This ensures that these innovations are of high quality.

Enhancing Competitiveness : The use of financial technology in innovating new financial tools or providing services contributes to increasing diversification, which supports the competitiveness of Islamic financial institutions in the market. It attracts more customers seeking diversified investment channels, thereby expanding their market share, which reflects in increased profits for these institutions.

Cost Reduction : For consumers, financial technology eliminates the need for travel, paper files, or intermediaries. Similarly, for Islamic financial institutions, financial technology has significantly reduced the costs of their services and products. Accenture estimated that the global financial industry could save up to $10 billion by using blockchain technology for storing and processing clearing and settlement operations. According to Banco Santander, Spain's largest bank, implementing blockchain technology could save the financial industry about $20 billion annually (Bani Amer & Tahseen, 2019, p. 9).

Creation of Large Databases : Financial technology contributes to storing the maximum amount of information about customers, investors, competitors, transactions, products, and services. It enables the creation of a massive archive containing everything related to financial institutions and their stakeholders.

Enhancing Financial Inclusion : The growing interest in financial inclusion seeks to enable the use of all financial services for various segments of society (opening bank accounts, savings, payment and transfer services, insurance services, financing services, etc.) through digital Islamic finance. This aims to reach the largest possible segment of society via mobile phones, providing financial products such as crowdfunding and others, which increases awareness of banking and financial institutions.

Supporting Oversight : Through the use of regulatory technology (RegTech), which helps institutions operate in the financial services industry in accordance with financial compliance rules, its techniques and means achieve the required quality and transparency, facilitating oversight. This supports Islamic financial institutions' compliance with Shariah regulatory rules and transparency, thereby reducing potential risks associated with transactions and clients by avoiding errors during execution, identity theft, and other risks (Guendouz, 2019, p. 73).

4. Realities of Fintech Support for Islamic Financial Institution

The technological revolution, particularly in financial and service sectors, has significantly contributed to the emergence of numerous startup and technology companies that provide precise, rapid, and nearly risk-free services using artificial intelligence technologies and tools. Importantly, these services are characterized by their cost-effectiveness and their ability to meet the needs of Islamic financial institutions.

4.1 Distribution of Islamic Financial Technology Companies by Regions and Sectors

The number of active companies in the field of Islamic financial technology reached 417 in 2023, compared to 240 in 2020 and 100 in 2018. This indicates a notable development and increasing interest in this type of investment. The following table illustrates the distribution of these companies across countries worldwide, specifying the sectors in which these companies operate.

Table 1. The Distribution of Islamic Financial Technology Companies by Regions and Sectors (Report, 2023-2024, p. 27)

Region	SE Asia	MENA-GCC	Europe	South & Central Asia	North America	Sub-Saharan Africa	MENA-OTHER	Grand Total
Alternative Finance	24	21	12	3	1	2	1	64
Back Office	4	6	3		2			15
Capital Markets	3	5	1					9
Deposits and Lending	11	11	14	3	2	5	2	48
Digital Assets	3	12	7	1	4			27
Enabling Technologies	12	12	1					25
Insurance	8	4		1	1	1		15
Payments	16	31	3	10			3	63
Raising Funds	31	9	11	4	2	2	2	61
Social Finance	5	1	3	1	4	1	1	16
Technology Providers	5	3	4	5		2		19
Wealth Management	16	16	7	3	10	2	1	55
Total	138	131	66	31	26	15	10	417

Low — High

See full Islamic Fintech Database in Appendix 4

Global Islamic Fintech Report, 2023/24, Dinar Standard, p. 27

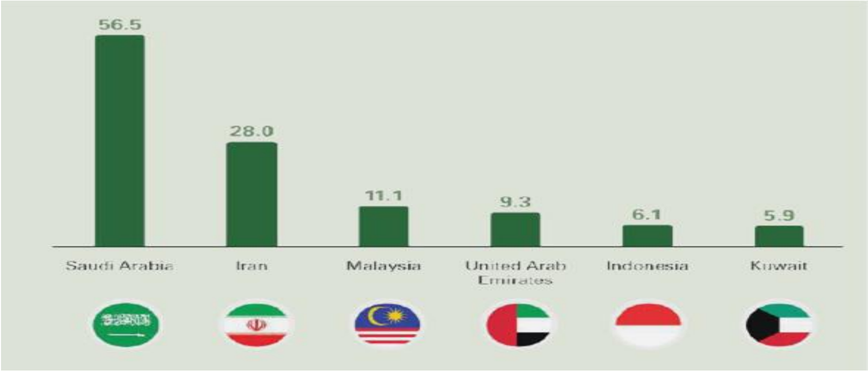
As presented in table 1, Islamic financial technology companies are widely distributed across East Asia and the Gulf Arab states, where these regions collectively account for the largest share, estimated at 65% of the total companies. This indicates the growing interest of these regions in such companies, prompting some governments in these areas to focus on this type of company in line with global trends, especially given the tremendous technological advancements observed during this period. These advancements raise significant concerns about their future implications across various levels, alongside fears of falling behind in technological advancement and its potential negative repercussions on the state and its institutions.

It is also noteworthy that 70% of these companies are active in providing financial services such as crowdfunding, banking services (financing, deposits), payment services, asset management, similar to companies operating in insurance and capital markets. However, these are relatively few, creating a gap in the financial sectors that could adversely affect these sensitive sectors. Meanwhile, 30% of Islamic financial technology companies are engaged in technological infrastructure related to information technology, artificial intelligence, robotics, and others.

4.2 The Status of Islamic FinTech Worldwide:

The Islamic FinTech market reached 138 billion dollar between 2022/2023 and is expected to reach 306 billion dollar by 2027, with an annual growth rate estimated at 17.3%. This signifies the rapid growth of this industry and the increasing interest of companies, countries, and Islamic financial institutions in these modern technologies. Six countries have dominated 85% of the total market share, amounting to 116.9 billion dollar (see Fig 1).

Fig. 1. The Status of Islamic FinTech Worldwide



Global Islamic Fintech Report 2023/24, Dinar Standard, p. 9

Saudi Arabia ranks first among the top five Islamic FinTech markets with a value of 56.5 billion dollar, accounting for 41% of Islamic FinTech globally. This figure far exceeds expectations from two years ago, positioning the kingdom as a leader in this field. It reflects Saudi Arabia's growing interest in these technologies and its efforts to keep pace with developments, supporting the sector as part of Vision 2030. The kingdom aims to maintain its leadership by making it a hub for Islamic FinTech, stimulating the local FinTech ecosystem. Iran follows in second place with 28 billion dollar, and Malaysia ranks third with 11.1 billion dollar.

4.3 Real-world experiences of Islamic FinTech companies supporting Islamic financial institutions

The partnership between Islamic FinTech companies and Islamic financial institutions can greatly benefit the latter in terms of advanced services that FinTech companies can offer, tailored to the nature of these institutions. They enable Islamic financial institutions to introduce their services or innovate new products and services using financial technologies. These technologies can include developing applications usable via mobile phones or computers, facilitating payments and e-commerce, establishing large databases, and utilizing artificial intelligence to understand customer needs and satisfaction levels. All of these contribute to enhancing the performance of Islamic financial institutions, improving service quality, reducing associated costs of traditional services, and thereby supporting their competitiveness and keeping pace with developments in this field.

- **Islamic Robo-Advisor Platform (Wahed Invest)**

It is the world's first global automated Islamic investment platform, a financial advisory firm founded by Junaid Wahedna in 2015, headquartered in New York with several branches worldwide. This robo-advisor platform has the capability to analyze thousands of Sharia-compliant (Halal) securities across global financial markets, characterized by high growth potential. Its primary aim is to provide easy access to Sharia-compliant asset management for Muslims and non-Muslims interested in ethical investment worldwide. According to its website, it offers an initial investment amount of less than 500$ USD. The platform is regulated by the Abu Dhabi Global Market (ADGM) as an Islamic financial company, authorized by the Financial Services Regulatory Authority for Sharia-compliant asset management and incubation. Its board of directors includes a group of specialized scholars known in the field (Hassnian& al, 2019, p 44).

Fig. 2. The Development of the Islamic Robo-Advisor Platform (Wahed Invest)

https://www.wahed.com/global

Investors in Islamic investment funds particularly benefit from the services provided by this platform, contributing to enhancing fund performance and profitability.

- **Nasdaq Dubai Murabaha Platform**

Founded in 2014, Nasdaq Dubai Murabaha Platform operates within the Dubai financial market. It enables Islamic banks, Islamic windows in conventional banks, and Islamic finance companies to provide cash financing to clients efficiently, swiftly, and flexibly. Companies benefit from financing for investment and expansion purposes, while individuals use it for consumer financing such as home and car purchases. The platform ensures completion of the Murabaha process at a fixed rate through trading Sukuk certificates, which are asset-backed. Since its launch, Nasdaq Dubai Murabaha Platform has significantly increased the volume of listed Sukuk, becoming one of the largest centers globally in terms of the value of listed Sukuk. In 2020, the nominal value of listed Sukuk reached 76$ billion, with transaction values amounting to 45.3$ billion in 2019, up from just 8.7$ billion in 2014, indicating the platform's success and its growing user base among companies and individuals.

- **Madfoat Payments Company**

Madfoat is a leading fintech company in Jordan established in 2011. The company aims to build and manage a variety of digital solutions supporting businesses and their clients inside and outside the Kingdom. Madfoat contributes to boosting the economy and adopting electronic payment services within the community. It serves 3.6 million users and over 2,100 partner institutions that pay their bills and transactions through the company. The total value of transactions processed by Madfoat reached $62 billion (Madfoat, 2024).

- **Ethic Platform Crowdfunding**

Ethic Platform Crowdfunding is the first Islamic crowdfunding platform established in 2014 in Singapore, with its headquarters and regional offices in Jakarta (Indonesia), Kuala Lumpur (Malaysia), Dubai, and South Africa.

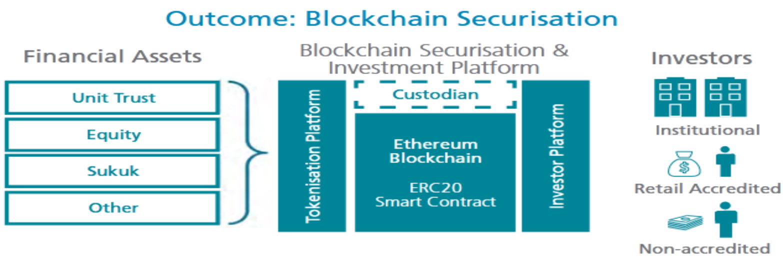
It is one of the most successful platforms adhering to Islamic principles in providing crowdfunding services, particularly for financing real estate projects (home construction). The platform currently hosts 26,000 investors who invest in real estate projects, primarily in Asia. Within its first 20 months, the platform completed a residential project in Indonesia valued at $2.2 million (Hassnian et al, 2019, p. 36).

- **Blossom Finance Smart Sukuk Platform**

Blossom Finance is an American company founded in 2014 under California's startup program, expanding to Indonesia in 2015 where it now has its headquarters. The company provides Islamic financial services by assisting microfinance institutions in Indonesia to raise funds from investors for small business financing through Smart Sukuk. Smart Sukuk are funds pooled from investors in exchange for Sukuk tokens representing a share of Sukuk investment ownership. Funds are automatically redistributed to token holders via smart contracts on the Ethereum blockchain, eliminating intermediaries. The importance of smart contracts lies in standardizing legal, accounting, and public payment standards and automating them. The platform also supports cryptocurrency pegged to the local currency. The company has launched two types of Initial Offerings: unissued manufacturing Sukuk and speculative Sukuk, the latter of which was issued in 2019 for BMT Bina Ummah Foundation based on profit-loss sharing principles, raising 715 million Indonesian Rupiah. By the end of 2020, the company announced an annual return of 12.94% for investors since issuance. Additionally, 144 small projects were funded (Al-Hourani, 2023, pp. 53-54).

Below is a model (see fig. 3) illustrating how the platform provides services to microfinance institutions.

Fig. 3. Blossom Finance Smart Sukuk Platform Method of Providing Services to Microfinance Institutions



World Bank Group, 2020, p. 59

- **Wethaq Platform**

Wethaq is the first platform supporting the Islamic financial market using legal smart contracts and legal automation. Registered with the Dubai International Financial Centre (DIFC) in 2018, it commenced operations in 2020 in the UAE and expanded to Saudi Arabia in 2021. Wethaq provides technical consultancy services in the European Union and offers securities services including custody. It issues Sukuk Al Ijarah in accordance with Islamic law through automated smart contracts, targeting investors in the Islamic financial market. The platform has developed the R3 Corda protocol in collaboration with a team of 90 international banks, ensuring data privacy, instant payment settlement, regulatory compliance, and clear user identity protection. All transactions on the network are transparently accessible in real-time to support transparency, risk reduction, and quality assurance. Wethaq offers a range of services including Islamic financing advisory, Sharia-compliant transaction services, initial issuance and subscription in global markets, brokerage services for products traded locally and internationally, investment and portfolio management, and management of investment funds (Al-Hourani, 2023, pp. 60-62).

- **Lemonade Insurance Company**

Lemonade Insurance Company, founded in 2016 in New York, provides services across the United States and some European countries, offering home, renters, cooperative, and tenant insurance services. The company has innovated a new insurance business model based on behavioral economics, utilizing artificial intelligence and chatbots to deliver insurance documents and process user requests on computers and mobile devices without intermediaries. This model aligns closely with mutual insurance companies in terms of social benefit, as underwriting profits can be directed to nonprofit charities of the customer's choice. Insurance premiums are collectively owned by policyholders (insured), who have the right to decide how surplus funds are allocated. Surplus insurance proceeds go to nonprofit charities according to policyholder choices, making Lemonade one of the most successful fintech companies in its sector, with a market value exceeding 2$ billion and more than half a million clients (Guendouz, 2019, pp. 100-101).

5. Study Results (Analysis and Discussion)

Financial technology (fintech) has contributed generally, and particularly to Islamic financial institutions, in supporting them in a manner that suits their distinct nature compared to traditional financial institutions. It has helped achieve a range of objectives, including:

- Supporting Islamic financial institutions by providing high-quality services and diversifying them to meet customer requirements.
- Enhancing trust among clients of Islamic financial institutions through promoting transparency, security in service provision, and ease of access without additional costs.
- Significantly bolstering Islamic banking operations and reducing substantial costs previously borne by Islamic banks in financial service delivery.
- Increasing market share among clients and enhancing competitiveness against traditional financial institutions through various platforms offering services aligned with Islamic principles or ethical services.
- Assisting Islamic financial institutions in keeping pace with technological advancements in financial technology, utilizing them to achieve desired goals with higher quality and lower costs.
- Promoting financial inclusion among Islamic financial institutions by providing digital platforms and applications accessible to all segments of society via mobile phones, computers, or smartwatches.

6. Conclusion

Financial technology represents a digital revolution in the financial sector, witnessing rapid and unprecedented development. There is immense interest from companies, individuals, and countries in this technology, competing to master and control it to achieve their goals, mitigate challenges, solve problems, and simplify tasks that were previously difficult or required significant time and cost. Despite its numerous benefits, financial technology still carries risks that could potentially undermine everything built, as perceived by many analysts and futurists. Islamic financial institutions were not distant or unaffected by the ongoing developments in financial technology. Like traditional institutions, they too have hastened to keep pace with the revolution in the field and attempt to benefit from and support it. This is evident in how financial technology is being leveraged to serve these institutions while respecting the legitimate privacy concerns related to transactions and financial products they offer. The Islamic fintech market reached 138$ billion, representing 1% of the total fintech market globally. The number of Islamic fintech companies has also reached 417 startups providing fully Sharia-compliant financial services.

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