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# Islamic And Conventional Banks In Qatar: Can Technology Bridge The Gap There?

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*Abstract*

As we all know, there are fundamental differences between Islamic banks and conventional banks in the principles, product bases, product types, types of contracts, risk and liability types, and types of activities on which banks can operate. But this article tries to go beyond all this difference to ask for more collaboration in the fintech area to create more customer satisfaction, more harmonization, and a more convenient experience for the customers of both banks. Alongside the digital transformation in payment, seamless access to a wide range of services, including digital payments, online transactions, and mobile banking, led to greater financial inclusion. A better understanding of the data will lead to more development in the field. And over time, that will reduce the cost and enhance effectiveness and efficiency at the operational level.

The article assesses the revolutionary potential of technology in bridging the gap between Islamic and conventional finance through a review of the existing situation, including fundamentals, legal frameworks, and market developments. It draws attention to some of the major areas where technology can help this convergence happen, including digital banking options, automated compliance systems, and Shariah-compliant investing platforms.

The paper also examines how beneficial such convergence may be for Qatar's economy. It analyzes how a tighter fusion of Islamic and conventional finance might promote financial inclusion, draw foreign capital, and strengthen Qatar's economy globally.

The article also discusses the difficulties that could arise from this integration, including complex fundamental issues, regulatory issues, and cultural factors.

A qualitative method used with a descriptive approach, a focus group from CEOs of banks and fintech companies, professors, researchers, and students, was created in the CIEF Center to discuss more ideas about fintech in Qatar and its impact on the economy. Bridge the Gap was a small title inside the whole discussion, which is why I focused on it in this article to discuss all the ways to bridge the gap so Qatar's economy will benefit.

The result of the article is that it endorses the increased merging of technology, which can facilitate innovative financial solutions applicable to both Islamic and conventional institutions.

Which will lead to enhanced collaboration, product innovation, and operational efficiencies if the two financial systems converge. Another point is that technology can improve the quality and accessibility of financial services provided by conventional and Islamic banks. Digital banking platforms, smartphone applications, and online services tailored to the consumers of both financial systems may be required. Thirdly, greater productivity and reduced operational costs brought on by the introduction of new technology This could increase customer and bank efficiency, speed, and cost.

Keywords: Fintech, Qatar, Financial inclusion, Economy.

**Introduction:**

The coexistence of Islamic and traditional banks, each serving specific client groups and operating according to different principles, was an important feature of the global financial system. While traditional banks conduct interest-bearing transactions with interest. Islamic banks follow Islamic sharia principles that prohibit interest-based transactions and support ethical financial activities. In the banking sector, there is a separation resulting from this inherent duplication.

However, could technology bridge the gap between Islamic banks and conventional banks as technology continued to change the financial industry? The emergence of fintech has led to creative solutions that can revolutionize banking procedures and address the differences between these two banking systems.

The establishment of digital platforms, smart contracts, and mobile Islamic-compliant banking solutions can be facilitated using technology in Islamic banking. Thanks to these developments, Islamic banks can now provide greater options for goods and services compliant with Islamic law, increase consumer suitability, and promote financial inclusion. In addition, technology-based solutions for Islamic financing can improve risk management, transparency, and security through the use of data analyses and mass chains. On the other hand, conventional banks can use technology to improve their service, cost, and efficiency. It might also allow conventional banks to offer Islamic products, including profit- and loss-sharing agreements, ethical investment options, and sharia-compliant financing, thanks to peasant technology.

This article adds to the ongoing discussion on the transformation of the banking sector by examining the potential of technology to bridge the gap between Islamic and traditional banks. To promote financial inclusion and sustainable growth, it aims to provide a comprehensive understanding of how technology can foster convergence and a full explanation of the main challenges.

**Literature Review** [2]

However, could technology bridge the gap between Islamic banks and statutory banks as technology continued to change the financial industry? The emergence of fintech has led to creative solutions that can revolutionize banking procedures and address the differences between these two banking systems. There is rare literature focusing on this subject, and most studies examine Islamic or traditional institutions separately without comparing their technological development and strategies. This article may highlight similarities, differences, and obstacles associated with bridging the gap. Other existing literature that focuses on client perspectives affects technology from a banking perspective, such as increased efficiency and expanded product supply. Some papers discussed the regulatory framework for both types of banks as being essential in influencing the integration of technology into traditional and Islamic banking. However, the evaluation of the literature provides only a limited analysis of the regulatory frameworks governing these banking systems and their implications for the adoption of technology. However, there is a lack of understanding of regulatory challenges and opportunities that can

[22] Kamla, R., & Alsamawi, A. (2017). The adoption of financial technology in Islamic finance: A literature review. Journal of Islamic Accounting and Business Research, 8(4), 366-385.

Hasan, Z., & Dridi, J. (2011). The effects of the global crisis on Islamic and conventional banks: A comparative study. Journal of International Commerce, Economics, and Policy, 2(2), 163-180.

Al-Mutairi, A., Al-Busaidi, K. A., & Bhatti, M. I. (2017). E-commerce, fintech, and Islamic finance: A literature survey. Journal of Internet Banking and Commerce, 22(3), 1-18.

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provide policymakers and regulators with valuable ideas to facilitate technological convergence between Islamic and traditional banks. There is some literature focusing on case studies on the impact of technology on Islamic finance or traditional banks in certain regions, and more in-depth case studies are needed to explore successful examples of technology-based convergence. Another aspect discussed at length in the literature review was ethical considerations and the implications of the adoption of technology in both banking systems. Filling these gaps in the literature would contribute to a more comprehensive understanding of the role of technology in bridging the gap between traditional banks and Islamic banks. Future research can provide a more complete and accurate understanding of this evolving area by integrating comparative analyses, client perspectives, organizational considerations, case studies, and ethical considerations.

Most relevant studies are as follows:

1. El-Galfy, A. I., & Ismail, G. S. (2019). Islamic and Conventional Banks: An Empirical Study on Financial Performance and Efficiency. International Journal of Business, Economics and Management, 6(3), 89-97.

his pilot study examines the financial performance and efficiency of Islamic and traditional banks in Egypt. The results suggest that the adoption of technology plays a crucial role in improving the performance of both types of banks. The study highlights the importance of technology-based solutions in improving operational efficiency and client service, with emphasis on the ability of technology to bridge the gap between Islamic and traditional banking.

2. Ghiad, R. (2020). The Digital Transformation of Islamic Finance: A Systematic Literature Review. Journal of Islamic Finance, 9(1), 99-109.

This paper identifies key topics, including the use of mass chains, mobile banking, and FinTech projects emerging in the Islamic financial industry. It emphasizes the ability of technology to promote compliance with the provisions of the Islamic Shariah, improve client experience, and advance innovation in Islamic finance.

3. Al-Shahwan, F. N., Al-Swidi, A. K., & Al-Matari, E. M. (2020). E-Banking Service Quality and Customer Satisfaction: The Case of Conventional and Islamic Banks in Yemen. Journal of Islamic Marketing, 11(5), 1423-1441.

This study examines the impact of the quality of electronic banking services on customer satisfaction at both traditional and Islamic banks in Yemen. The results reveal that technology-based improvements in e-banking services have a positive impact on client satisfaction at both types of banks.

4. Ibrahim, N. A., & Rahim, R. A. (2018). Fintech, Islamic Finance, and Sustainable Development Goals: The Case of Malaysia. ISRA International Journal of Islamic Finance, 10(2), 238-248.

It emphasizes the role of technology in addressing challenges to Islamic finance, such as product innovation, financial inclusion, and transparency.

5. Ariff, M., & Yunus, N. (2020) emphasizes the role of technology in addressing challenges to Islamic finance, such as product innovation, financial inclusion, and transparency.. Islamic Finance, Fintech, and Sustainable Development. Journal of Islamic Accounting and Business Research, 11(3), 697-709.

This conceptual paper highlights the transformative potential of fintech in Islamic finance, including digital banking, crowdfunding, and blockchain applications.

These selected studies demonstrate the potential for technology-driven solutions to enhance financial performance, improve customer experiences, promote sustainability, and foster innovation in finance. Collectively, these studies contribute to our understanding of how technology can be harnessed to bridge the gap and create a more inclusive and dynamic financial ecosystem.

**Methodology**

Qualitative research methodologies can provide greater knowledge in the process of adopting and integrating technology. A descriptive approach has been used with the focus group.

Focus groups can be a very useful research tool. They provide several benefits, all of which lead to a deeper understanding of the perspectives, experiences, and positions of stakeholders. It presents an in-depth exploration of the thoughts, opinions, and experiences on the topics discussed. The dynamic discussion in the focus group among the participants and the interaction among participants have the potential to create new ideas, reveal common experiences, and inspire critical thinking, all of which may not be possible through interviews or individual surveys. Besides the opportunity for participants in focus groups to reflect on their personal experiences and the ideas they have because of those experiences, participants are likely to reassess their own views, question the validity of their advanced ideas, and gain a more in-depth understanding of the subject when they participate in the discussions and listen to the views of others. This kind of internal scrutiny can lead to richer and more conscious contributions to our collective conversation. The focus group was built in 2022 during our CEO and Leader Roundtable, which is a yearly roundtable. It is usually by attending, but due to COVID-19 health concerns, I organized it online. More than 140 participants, including CEOs from different financial institutions, industry leaders, Shariah scholars, regulators, academics, and HBKU students, attended and enriched the discussion. The question about whether technology bridges the gap between the two industries was a sub-title in the discussion. That's why I want to go deeper into that area to see what can benefit the industry from adopting high tech on the financial side.

**The benefits of Fintech for Qatar Economy3**

Fintech can improve financial access for individuals and businesses, particularly those in underserved or remote areas. By providing digital financial services such as mobile banking, digital wallets, and online lending platforms, fintech can enable a broader segment of the population to participate in the formal financial system, fostering economic growth and development. Increased efficiency and cost savings: Another side of the benefits of fintech is that it simplifies financial processes and reduces administrative burdens, resulting in improved efficiency and cost savings for both individuals and businesses. Fintech can foster an environment of innovation and entrepreneurship by providing easier access to funding, alternative lending models, and crowdfunding platforms. These avenues can support the growth of startups and small and medium-sized enterprises (SMEs), contributing to job creation and economic diversification. Blockchain technology, a key component of fintech, offers secure and transparent transaction records. By leveraging blockchain, Qatar can strengthen its financial systems, mitigate fraud risks, and improve regulatory compliance. This heightened transparency can attract foreign investment and promote trust in the economy.[4]

**The Benefit of Fintech for Qatari Banks [5]:**

[3] The Peninsula. (2019). Qatar to Leverage Digital Platforms for Financial Inclusion. Retrieved from https://thepeninsulaqatar.com/article/29/01/2019/Qatar-to-leverage-digital-platforms-for-financial-inclusion

[4] Deloitte, 2017

[5] - EY. (2018). Open banking in the GCC: Exploring the potential. Retrieved from https://www.ey.com/en_gl/banking-capital-markets/how-fintech-can-help-gcc-banks-lead-the-open-banking-revolution

- McKinsey & Company. (2018). McKinsey on Fintech: A roadmap for the future of financial services. Retrieved from https://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/mckinsey%20on%20fintech/mckinsey-on-fintech-june-2018.ashx

- Qatar Development Bank. (2018). Fintech Qatar. Retrieved from https://www.qdb.qa/en/qdb-fintech

Fintech in the banking sector can improve the customer experience by offering seamless digital banking services, personalized interactions, and convenient access to financial products. Through user-friendly mobile banking applications, digital onboarding processes, and innovative customer service platforms, banks can attract and retain customers, leading to increased market share and growth. On an operational level, automation of routine tasks, such as transaction processing and compliance checks, can reduce operational expenses and free up resources for strategic initiatives. Using AI can optimize risk management, credit assessments, and fraud detection, enhancing operational efficiency. And all other aspects of fintech's benefits, as I mentioned above.

**How can Technology narrow down the gaps[6]?:**

Islamic and conventional banks have two sides:

1- Shariah, theoretical, and legal. Regardless of whether the collaboration takes place, these aspects will not be impacted in any way because each bank will maintain its essential ideas and opinions.

2: The functional, operational, contract, product, and customer service areas: This area needs collaboration. Fintech provides room for collaboration. Fintech can provide opportunities for collaboration; the researcher suggests creating one wallet from both Islamic and conventional banks under the support of Qatar Central Banks and Qatar Financial Center to provide funds for startups and fintech companies to develop more in the fintech area. Also, education entities need some support from this wallet as it will contribute to eliminating fintech literacy

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- Qatar Financial Centre. (2018). Fintech in Qatar: A Global Islamic Fintech Hub. Retrieved from https://www.qfc.qa/en/media-centre/qfc-in-the-news/fintech-in-qatar-a-global-islamic-fintech-hub

[6] - Al-Mutairi, A., Al-Busaidi, K. A., & Bhatti, M. I. (2017). E-commerce, fintech, and Islamic finance: A literature survey. Journal of Internet Banking and Commerce, 22(3), 1-18.

- Al-Sadeq, M. A., & Ismail, M. (2018). E-finance and its implications for Islamic finance. Journal of Islamic Accounting and Business Research, 9(4), 437-452.

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- Laldin, M. A., & Ismail, A. G. (2012). Islamic finance and financial technology (Fintech). International Journal of Islamic and Middle Eastern Finance and Management, 5(4), 357-366.

in the public and will develop the staff to meet new tech challenges. This will lead to enormous development and a jump in the kind and type of service that is provided. That will have implications for cost, efficiency, customer satisfaction, and the regulatory aspect of fintech, and it can provide innovative solutions for some issues it might experience.

**Can Islamic and Conventional Banks collaborate?**

The concept of conventional and Islamic banks working together to bridge the gap between their respective financial systems has received a substantial amount of attention in recent years among the academic community.[7]

If collaboration happened, it would have an effect on the product side and lead to the creation of new types of products that satisfy the requirements of a wider range of clients. Another area of potential collaboration is merging the risk profiles and areas of expertise of both existing banking systems. According to Rasheed, Ibrahim, and Kamarudin [8], this can contribute to limiting risk exposure, optimizing capital allocation, and improving financial stability. By working together, conventional and Islamic banks can reach new markets and client groups. Collaboration and sharing knowledge and best practices will lead to more improvement and efficiency at the industry level. Working together with conventional banks could force the regulatory side to solve and harmonize the regulatory aspect.

**Discussion:**

As we can see from the literature review, there are a lot of benefits to fintech for Qatar if it is adopted in the banking sector. There is also a lot of benefit to collaboration between these two kinds of banks. But the reality is different:

**1-** Fintech Barriers: There are a lot of barriers to adopting fintech in the banking industry, as was mentioned in the literature and in the focus group. Some of these challenges include funding, the regulatory side, the leadership side, and

[7] Elzahar, H., & Gao, S. (2018). Collaboration between Islamic and Conventional Banks: A Review of Literature. Journal of Islamic Accounting and Business Research, 9(4), 626-647. doi:10.1108/JIABR-07-2015-0055
Kamil, N. H. M., & Ibrahim, S. H. (2015). Collaboration between Islamic and Conventional Banks: A Critical Review. Procedia Economics and Finance, 31, 112-121. doi:10.1016/S2212-5671(15)01133-9
Rasheed, F. A., Ibrahim, M. F., & Kamarudin, F. (2021). Collaboration between Islamic and Conventional Banks: A Conceptual Review. In M. F. Ibrahim, N. S. H. F. Baharom, F. S. Kasim, & Z. Z. Mohd Zain (Eds.), Advances in Islamic Finance, Marketing, and Management: An Asian Perspective (pp. 129-145). Springer. doi:10.1007/978-981-15-9109-9_

[8] Previous reference.

the training side. Therefore, if the two different kinds of banks (Islamic and conventional) combine their money into one pool to establish a more advanced level of fintech, that will lead without a doubt to a more advanced level of fintech along with all of the benefits of fintech that I stated earlier. There are a lot of challenges on the fintech side that require that collaboration, such as tech literacy. Maybe the next generation will not have those difficulties, but for old and middle-aged people, it is not easy to deal with all this technology in mobile applications, online, etc., so they need training and awareness programs. If the two different kinds of banks collaborate, the funding issue will no longer exist. On the other hand, if this partnership is successful, one of the benefits that will result from it will be a reduction in the number of jobs that will be lost in some industries due to the increased use of technology. On the other hand, there should be a greater need for different types of employment. These call for a significant amount of staff training in order for them to be able to accommodate themselves with the new technology or change their career path to other types of professions. And a significant amount of money will be required for that. Therefore, if the two banks decide to work together, the funding problem will no longer exist. The substantial side of this potential collaboration, if it were to take place, will lead to a rise in the number of people who have access to financial services, which in turn will lead to an increase in the number of people who are financially included in the bank sector. This has the potential to contribute to the overall expansion of Qatar's economy by encouraging investment, entrepreneurialism, and the creation of new jobs. Because the development on that side will compel the development of the regulatory side to adapt to the changes and circumstances impacting this significant industry, the regulatory side may be better positioned to assist the banks when they collaborate with and fund the fintech side.

**2- Collaborations obstacles:**

The low amount of coordination that occurs between these two financial systems is due to several different variables. In this section, we will go through some of the most important causes that have been found in the research. First, the regulatory and legal differences that exist between Islamic banking and conventional banking can be substantial obstacles to collaboration. Shariah law is the guiding principle behind the operations of Islamic banks; this law mandates strict adherence to certain ethical and contractual frameworks. On the other hand, traditional banking institutions must comply with a different set of regulatory standards. According to Elzahar and Gao, the process of harmonizing these frameworks and guaranteeing compliance with both sets of legislation can be difficult and may discourage collaborative efforts. Another barrier is the variation in the business models and procedures that they are using. The main reason for this non-collaboration is a lack of awareness and understanding of the possible benefits and procedures of collaboration between Islamic and conventional banks. The culture and community view this kind of collaboration as undermining the integrity of Islamic banking principles. Of course, the cultural hindrance is the dynamic of competing against each other, which makes it very difficult for collaboration.

**Finding:**

Based on the above literature review and discussion, we can draw some conclusions about the role of technology in bridging the gap between the two kinds of banks as follows:

- There is a crucial need for this kind of collaboration to jump to the next level of fintech.
- There is a need for Qatar Central Bank and Qatar Financial Center to encourage this kind of collaboration to let Qatar benefit and get a place as an important financial and investment country in the GCC.
- Fintech companies are required to seek this kind of collaboration by creating joint projects where both banks can contribute.
- Enterprises and investors also need to create and innovate ways of collaborating between these two kinds of banks.
- Researchers need to provide more future perspectives and pioneering ways of collaborating.
- Stakeholders need to engage in conversation, further their education, and adopt a mindset that prioritizes collaboration.

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