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DIGITAL ISLAMIC FINANCE CHALLENGES AND CUSTOMER RELATIONSHIP MANAGEMENT (CRM) GLOBAL MARKETING STRATEGY

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ABSTRACT:

Islamic financial products have long been introduced in Malaysia. But banking products first became popular compared to financial products. The introduction of the concept of digital Islamic finance has not yet been able to increase the use of Islamic financial products in Malaysia, especially when the world is shocked by the Covid 19 that affects the world economy. An understanding of the concept of global marketing that emphasizes customer relationship strategy (CRM) is the core of the proposed strategy to increase the marketing of financial products in Malaysia. Discussions related to the issue of Islamic financial marketing became headlines after Islamic banking products became more popular than Islamic financial products. This article concludes with the recommendation of customer relationship management practices as an important strategy to achieve the success of marketing this Islamic financial product.

KEYWORDS:

ISLAMIC FINANCE PRODUCTS, DIGITAL FINANCE, CRM.

1.0 INTRODUCTION

Islamic financial products gain new opportunities when the government shifts the financial focus to Islamic banking. However, there are some constraints and obstacles faced by this segment. As with the problems faced by Islamic banking products, Islamic financial products go through several obstacles in maintaining the element of trust and awareness of these products. Several studies by researchers in Malaysia found that the practice level of Islamic financial products is still low, including Islamic savings, grants, investments and leasing. However, the increase in family and community income levels in several countries has resulted in demand for Islamic financial products. Institutions offering Islamic financial products have increased, this will provide more participants in this segment to more than 1.3 billion Muslims who practice Shariah compliant products. Currently, there are more than 265 Islamic banks and other financial institutions offering services across national borders including Indonesia and Saudi Arabia. The challenge of marketing Islamic financial products is due to the threat of global terrorism and no less from within the country. However, the sustainability of Islamic financial products is still in question due to the uneven performance and ambiguity among practitioners, especially conventional banks, regarding Islamic products.

2.0 DEFINITION OF ISLAMIC FINANCIAL PRODUCTS

Islamic Financial Products are interpreted as financial services that comply with sharia. The main sources of sharia are the Quran, Hadith, Sunnah, Ijma, Qiyas and Ijtihad, the Quran is a treatise or book that has been revealed to the Prophet Muhammad S.A.W while the hadith is a passage of description and further explanation by the Prophet, the Sunnah refers to actions and practices Nabi Muhammad S.A.W. Ijma, on the other hand, is the result of the scholars' arguments on certain matters, while Qiyas refers to a more in-depth discussion about the discussed issue that involves detailed debate by experts. Ijtihad refers to the result of the lawyer's argument in the case of a specific case involving the Court's decision.

Murabahah is very famous and practiced by most customers who deal with the purchase of assets. Chong and colleagues (2009), emphasized that banks buy goods and deliver them to customers at different prices agreed by their customers. Expected returns from Murabahah are usually almost the same as interest payments in conventional loans. Unlike in conventional loans, the interest amount cannot change or increase due to late repayment. Murabahah Transactions are widely used in international trade such as loans between banks and liquidity management through various transaction steps called Tawarruk Ijarah in relation to sales contracts for specific property for an agreed period of time. Ownership does not change and is still owned by the lessee, and they are still responsible for maintenance except for damage caused by the lessee Istisna' is a commodity futures market that was traded before it existed. The uniqueness of istisna' or is that no exchange occurs at that time or throughout the contract. In theory, istisna' contracts can take place directly with end users and manufacturers but are still bound to the three parties.

There are two types of investment involving profit and loss in Islamic finance, namely: musharakah and mudârabah. Musharakah is a profit and loss sharing. It is a contract between two parties to provide the initial capital of a business. The amount of profit and loss depends on the amount taken out in the partnership. Mudârabah, on the other hand, refers to profit sharing between borrowers and borrowers, called mudarib's. profit sharing is determined in the contract unless the loss is due to the mudharib's own negligence.

3.0 IMPACT OF DIGITAL FINANCE

This increase in the number of digital trading transactions online is supported by the rapidly growing use of financial technology. Mobile technology through the internet (mobile technology) and advances in cloud computing, artificial intelligence (artificial intelligence - AI), machine learning, big data analytics, internet of things, biometrics, application programming interfaces and blockchain and distributed ledger technology enables the creation of innovative business models, products and services capable of supporting financial inclusion. These innovations can increase access, reduce operational costs and improve efficiency and customer experience. However, it can also affect financial inclusion and in some cases can lead to financial exclusion.

The main criteria in financial inclusion, which are access, use and quality of Islamic or conventional financial products and services, are determined by various factors, among others, such as geography, financial infrastructure, costs, technology, laws, government policies, payment systems and information delivery. Based on these factors, the use of digital technology is believed to be able to solve some of the problems faced by traditional financial approaches. The use of digital technology in finance makes transactions easier, more reliable, lower cost and effective and faster than other methods. It also offers greater transparency and privacy, reducing the risk of theft and significant travel time and cost savings due to geographic barriers. This digital technology also provides easy access to loans for individuals who do not have a bank and less use of bank services, thus being able to remove the people from the shackles of poverty.

3.0 FINANCIAL PRODUCT MARKETING ISSUES IN MALAYSIA

There are several issues and challenges arising from digital finance. Among them are issues related to legislation and sharia. Muneeza (2022) has identified a number of issues arising from the implementation of this digital finance including: Data Security and Confidentiality Laws and regulations in this regard are needed to break the monopoly of financial institutions on the use of user data in investment, payment and money management services. In addition, the digitization of financial services brings with it issues that have different implications than what is known in traditional legal and regulatory frameworks. Digital financial technology is disrupting the operations of banks and traditional financial institutions in almost every perspective. As a result, new issues and challenges arise regarding the operation of existing laws in relation to the innovations brought about by the use of technology. Data protection and individual privacy are issues in this regard, particularly with respect to sensitive and personal biometric data that is in the possession and custody of financial institutions.

The use of fingerprint authentication for example implies related legal and ICT security risks. This is because fingerprints can be collected without the customer's consent for example from everyday objects they touch. Again, legal and ICT security risks arise in relation to the possibility of fingerprints being forged by unauthorized third parties. Regarding this, significant legal and reputational risks can arise in financial institutions from the perspective of data protection law. Further, digital finance goes hand in hand with innovative data-driven technology systems and smart systems that enable P2P lending and payment operations, crowd funding, crypto currencies and digital currencies and tokens.

The fundamental elements of this operation are mostly driven and facilitated by the use of big data, cryptography, machine learning, artificial intelligence and new data sharing/storage models of distributed ledger technology (block chain) for the purpose of processing, storing, securing and distributing transactional data. For example, data fuels the changes that foster innovation in open banking as in all financial technologies. However, data comes with challenges and legal issues in terms of its collection, use, storage and sharing as enshrined in the General Data Protection Regulation (GDPR) EU 2016. Blockchain-based transactions and issues of Blockchain jurisdiction using smart contracts and operating on coordinated and shared data through distribution across multiple institutions without centralized data storage or central administrators. This phenomenon implies several risks from a legal and practical perspective that have so far not been adequately addressed. Therefore, when blockchains operate in multiple jurisdictions, as they often do, and coupled with inconsistent regulations, it is likely that smart contracts implemented by digital automation will not be enforceable in all applicable jurisdictions. Robo-advisors and the question of legal personality As online automated advisors and portfolio management service systems, robo-advisors operate on algorithms capable of providing client and investment services. Currently, it is legally difficult to identify and attribute liability to entities involved in robo-advisor activities. The same is the case in the use of artificial intelligence systems for the same purpose. For institutions that rely on such robo-advisors, it would imply serious legal risks if a detailed assessment is made of their operations and functions. This also further creates difficulties in allocating related liabilities in the event of dropouts or commissions and damages from them (based on the contribution of each party involved).

From a sharīʿah perspective, Al-Qurah Dāghi (2022) views a number of issues that can arise in Islamic digital finance, including: Risks related to muʿāmalāt contracts Signature risk aspects for digital contracts/contracts in perfecting and completing the contract with offer and acceptance, because without a signature it may result in the loss of the contracting party's rights. Therefore, great efforts must be made to avoid this issue from the point of view of sharīʿah, law, fiduciary, technical and so on. Risk of sharīʿah law or not implementing sharīʿah law i. This sharīʿah legal risk lies in cases of contract signing, acceptance, observation and other conditions and controls required by sharīʿah according to the type of contract. Therefore, an appropriate mechanism must be prepared to avoid this risk in detail and precisely and the matter will definitely require a new ijtihad guided by maqāṣid, then presenting it to the sharīʿah advisory council to reach a collective decision. The risk of not implementing sharīʿah law is related to the effect of digital banks on sharīʿah law by not preserving the sharīʿah aspect in the effect of the contract, or what is called by the jurists as "the creation of the effect (جعلية الآثار "(contract. In other words, it means that sharīʿah has made every contract have its own effects and conditions, so it is not allowed for both contracting parties to control it or change it to the point of contradicting the contract.

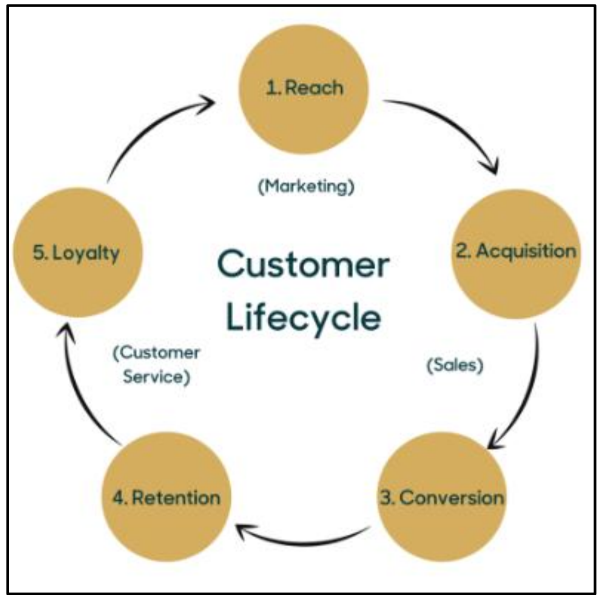
Due to several issues in the security aspect, the reliability of digital finance has affected the use of Islamic financial products even though they have appeared in the form of digital systems. this, customer confidence is undermined when there is an increase in cases of secret leakage and customer probation. With that, it is suggested that banks that implement Islamic finance consider a new marketing concept called customer relationship management that focuses on an environment that creates repeat customers.

4.0 MARKETING CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT FOR ISLAMIC FINANCIAL PRODUCTS

4.1 CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management or CRM (customer relationship management) is a combination of practices, strategies and technology used by a company to manage customers through data management and interaction according to their cycle. The goal is to improve customer service relationships that lead to retaining them with the Company supporting increased sales.

This CRM concept can help efforts to position Islamic financial products as the first choice of customers. The concept of marketing is very clear despite the various revolutions in customer relations. Current global marketing trends emphasize customer loyalty rather than finding customers in new locations.



This paper will discuss the concept of CRM (Customer Relationship Management) as an effective basis in binding first-time customers so that they continue to be customers of Islamic financial products as a choice for themselves and their families.

Basic steps in CRM

1. Customer Knowledge

In the context of CRM, service providers must emphasize customer friendliness. This friendly attitude can be implemented when we know who our customers are. Knowledge means we know our customers through categorization, through their standard of living, or through their respective income levels. A direct survey needs to be done to find out the category - whether the customer is high end or in the low end group. The way we interact and communicate with these two groups is quite different.

2. Customer Service

This customer service includes providing satisfaction to customers through the value applied in the products supplied to them. In other words, the customer will feel fair in the transaction that takes place between the two parties. The value assessment on the customer's side must be the same as the burden borne by the customer when they subscribe to our product. When the benefit received by the customer is equal to the amount of profit they receive, it is assumed to be balanced and the customer is satisfied.

3. Customer Loyalty

Islamic financial product service providers must also ensure that their customers are loyal to only one service provider. Service providers that offer financial products must ensure that customers always have faith in the products they choose. With a high level of trust, there is no longer an issue about switching to other financial products. Many factors that need to be taken into account include;

a. *Trust* – Trust in products and service providers

b. *Usefulness* - accessibility if it involves the system

c. *Privacy* - an element of secrecy

d. *Security* - security element when using the financial product

4.0 CONCLUSIONS

Based on the explanation above, we can conclude that the combination of existing governance factors and the concept of relationships and cohesive financial services policies can upgrade the marketing of Islamic financial products to a better level. The awareness and awareness of the corporate top executive committee towards customer service needs is very meaningful and can help multiply the demand for Islamic financial products. So the strategic management consisting of the Board of Directors must play an important role in realizing the practice of CRM in Islamic financial products, especially in digital practice in a comprehensive civil situation. Stagnant and boxed thinking can cause Islamic financial products to continue to dwindle in the eyes of the world. Decisive and aggressive steps need to be taken to sharpen marketing knowledge among corporates and implementing groups so that the desire to increase Islamic financial products can be successfully achieved.

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