Regulations have enabled us to work with fintechs under a win-win situation while sharial laws permit Islami banks to work with them as tech partner. We at Exim Bank see this is a very fruitful way to reap the benefits of new technology in banking. It reduces costs of operations compared to others who developed similar services in their organisations and ensures robust services under regulatory environment. Fintech partnership is the best path for banks to keep their customers without investing a huge amount of money.The risks is very minimum as data is controlled by banks. Here, the more important for banks is participatory management.

Tow heads are better than one, so collaboration is not a confusion

Dr. Mohammed Haider Ali Miah
EXIM BANK CEO

When I entered into the CEO suit of EXIM Bank ....Bank I saw A freedom fighter and versatile banker Dr. Mohammed Haider Ali Miah is a well-known writer and columnist and attended many international seminars, remittance fairs and training programs both in emerging and developed markets.

A The face of the banking industry has changed in the last few years.Financial technology companies (fintechs) have begun disrupting the market with cryptocurrency, bitcoin, blockchain, and more. So, the banking industry is at the dawn of a great new era of bank-fintech partnerships that is changing as we know it for foreseeable future. Under this situation, the question has been raised: Does collaboration a confusion? How could a bank find the balance between touch and technology?

As a banker working in a sharia based commercial bank, I see collaboration is the ultimate solution for banks to survive in future. And the best way for fintech collaboration is vendor ship. Tow heads are better than one, so collaboration is not a confusion. It is rather a win-win situation for the both. Our Prophet Muhammad (pbh) always took decisions after consulting with his fellows. For banking, it is more important as fintechs are disrupting its foundation engaging customers with technology innovations.

A wave of financial technology firms, many of them just a few years old are changing the ways in which people borrow and save, pay for things, buy foreign exchange and send money. In doing so they are finding and mining rich seams of profit, challenging the business models of existing institutions and inflating a bubble of

Good banking is produced not by good laws, but by good bankers. So, banks must focus on building their own talents team rather depending on Fintech firms. Because the only difference between a bank and a criminal organization is that the bank has the law on their side.

excitement among investors that technology and the internet are about to change banking for good.And it is evolving rapidly. So, forward-thinking banks across the globe have responded to these market disruptions by expanding their in-house capabilities. Others have partnered with fintechs to develop new digital offerings. And some simply acquired their competitors.

The banking sector is known as one of the oldest businesses in the world and banks were always regarded as a place with long queues, and an unmanageable amount of paper work.Meanwhile, technology has reduced cost but increased efficiency in its operations. The need of labour and papers has reduced a lot.In the customers front, consumers are now becoming more agile and they experience the benefits of evolving technologies on a daily basis in various spheres of their lives. They therefore demand the same from their banks. Fintechsare responding to this demand by disrupting the industry. For example, most bank customers today use smart phones and they find banking in their finger trips. From ordering food or shopping for clothes, everything is only a tap away. So, banks find Fintech partnership as the best path tokeep their customers without investing a huge amount of money to build a mobile financial service for its own.

The question is: How banks and FinTech firms can bettercollaborate to reap the benefits of new technology. The globalFinTech industry is growing rapidly, driven by a powerful blendof innovative start-ups and major technology players. Banks thatwant to leverage this potential must act now to find ways to engagewith these innovative organizations to achieve value-creatingcollaboration. Unless banks and FinTech firms get better at working together,neither will reap the full benefits of innovation. They must partner,or they may perish.A recent global study based on survey among 45 major bankssuggests that, globally, institutionsremain principally focused on applications of FinTech in payments.However, they are increasingly looking to use FinTech across theentire value chain, from gamification of compliance training tosurveillance software that can identify employees who pose thegreatest organizational risk, and from using artificial intelligence toimprove customer service to driving greater workforce productivity.

But picking the right FinTechs to collaborate with and successfullyimplementing new technologies remain challenging for banks thathave weak innovation cultures. FinTechs, for their part, need tobetter articulate the clear benefits of their technology and workwith banks to deliver change.To collaborate with FinTechs and deliver truly transformational value, banksneed to be clear about the innovation model, the scope and mandate forinnovation, procurement and retained technology functions. Banks also needto determine how best to engage with FinTechs, given the contrasting sizesand cultures of their respective organizations.

The most recent trend is for banks and innovators to find each other in innovation eco-systems or networks, often facilitated by third parties. Most banks however, follow a multi-pronged approach.In Bangladesh, regulations have enabled us to work with fintechs under a win-win situation while sharial laws permit Islami banks to work with them as tech partner or like buying agent. Islam approves vendor ship and we at Exim Bank see this is a very fruitful way to reap the benefits of new technology. It reduces costs of operations compared to others who developed similar services in their organisationsand ensures robust services under regulatory environment. The risks is very minimum as data is controlled by banks.The more important for banks is participatory management that involves management treating the ideas of employees with respect and consideration in decision making process.

The inescapable truth in that there are just too many banks in Bangladesh chasing too few customers. So, it is very tough time for banks to survive and maintain ROA. How can banks make money? The answer is, by being the most intimate provider of service to the customer based on that digital footprint, and by being able to really leverage our understanding of the customer's financial lifestyle far better than any other player.It is predominantly through technology that banks can enhance their operational flexibility, optimise business processes and generally keep pace with innovation and social phenomena. The consequences to banks refusing to innovate could be as severe as was experienced by stagnant media companies. And collaboration through vendor agreement is a good solution for banks to run core operations as regulation is conducive to the both. In some cases, banks can make partnership with fintech firm for specialized services like mobile payments. There also needs to be a culture instilled that supports the new digital organization while enabling the company's strategy. Board members and top managements should ensure corporate culture and participatory decision-making process in their banks.