

Digital First Strategy in Banking

Case Study-Baitak Kuwait Finance House

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Kuwait Finance House (Baitak)

Introduction

At the tenth annual meeting of the listed companies and financial analysts, the Managing Director at the Kuwait Finance House(Baitak) laid out the banks' accomplishments and strategy . He emphasized that Baitak is moving ahead in leading the global development of financial services that are in compliance with Islamic Sharia, reaching the highest levels of profitability and trust of an Islamic bank in the world.

He added that the bank crossed major milestones in achieving the highest innovation and distinction levels in serving its customers, and maintaining and developing the mutual interests of its stakeholders. This accomplishment is in parallel with the banks' standing in the world of two top positions: the first Islamic bank in Kuwait and the second largest in the world.

International Operations

Baitak is operating in diverse world markets through 480 branches and more than 110 Automated Teller Machines(ATMs),and 15,300 employees in Turkey, with the following branch distribution :420 inTurkey,60 in Kuwait,14 in Malaysia,10 in Bahrain,5 in Germany, and 1 in Saudi Arabia.

Baitak participated in several financial mega-projects in Kuwait and in other countries. It occupies a leading position in the Sukuk markets and Islamic financial services, and is trusted by a large number of governments and financial institutions. It enjoys high credit ratings from the leading credit rating agencies in the world reflecting the success of its operations.

Baitak has an A+ rating from Fitch Credit Agency with a stable future outlook. Moody's a second credit rating agency gave Baitak an A1 rating for long-term deposits with a stable future outlook. These ratings point to its sources of strength in a competitive market , solid financial foundation, good quality assets, a large market share and revenue diversity in several sectors and international markets.

It is also efficient in financial strength, risk management, high credit ratings, liquidity management, good management, and a strong capability to adapt to market developments, and flexibility in dealing with economic changes in local and international markets. The net profits of Baitak increased 34.35 over the last two years 2016-2017, and the profitability of its share increased by 22% for the same period.

Two Pillars of Baitak Strategy

The Managing Director focused on two pillars of Baitak's strategy. First, a focus on investing in Fintech or international technology in finance, and the adoption of digital technology, with a view to responding to customer interest in Fintech that it provides. It invested in Fintech either locally or through capital funds, in order to provide customers with the most modern technology for their benefit and service.

The second pillar of Baitak's strategy is focusing on its working operations, with an emphasis on adopting and using technology related to it.

The Manager indicated that Baitak has already used technology tools, like robot systems, data analysis techniques, artificial intelligence, in order to improve the bank's capabilities to provide the best products and services and meeting control standards and regulations.

Appendix

Digital Infrastructure

In an article “The dangers of a “digital first” strategy in banking”, “the question asked is :**Have some financial institutions gone too far with their digital strategies?**” Banks are faced with a host of fresh challenges for any organization hoping to compete in the banking sector . However, according to a banking expert, there is nothing wrong with the “digital first” message per se. The problem comes when the “digital first” policy becomes digital only. This is causing concern for many banking providers. By focusing on the execution of the digital channel before thinking about a broader, cohesive, longer term plan, means that bankers will focus on digital to the detriment of everything else. According to another banking expert, the customer experience is what builds relationships-and in a world of commoditized banking products, it is ultimately the primary point of differentiation between one banking provider and another. Several strategic imperatives flow from that conclusion, one being a focus on delivering a superior customer experience. There should be a focus on shifting from a product focus to a focus on the financial health of the consumer.

In an article by Manoj P.K., “Retail banking: Strategies for Success in the Emerging Scenario”, the article lists several strategies for success that banks

can pursue in order to be competitive. First, advanced technology; the adoption of the latest technology. In today's content, the influence of IT will be profound in all aspects of retail banking. Its significance as a strategic tool stems from the fact that it is virtually the enabler of all modern and sophisticated services. Second, skilled manpower because only highly skilled personnel and experienced manpower can handle banking services efficiently. A highly qualified workforce can ensure quickness in the delivery of products and services as well as quality thereof. Third, meeting the infrastructure requirements for administering products and services. A balanced and calculated growth taking into account the required infrastructure both human and physical can bring in the desired results in the long run.

Sources:

"AlNahedh: The bank is moving ahead in leading the international developments of Islamic financial services." Al-Qabas, 24 October 2018, Year 47, Issue 16306.