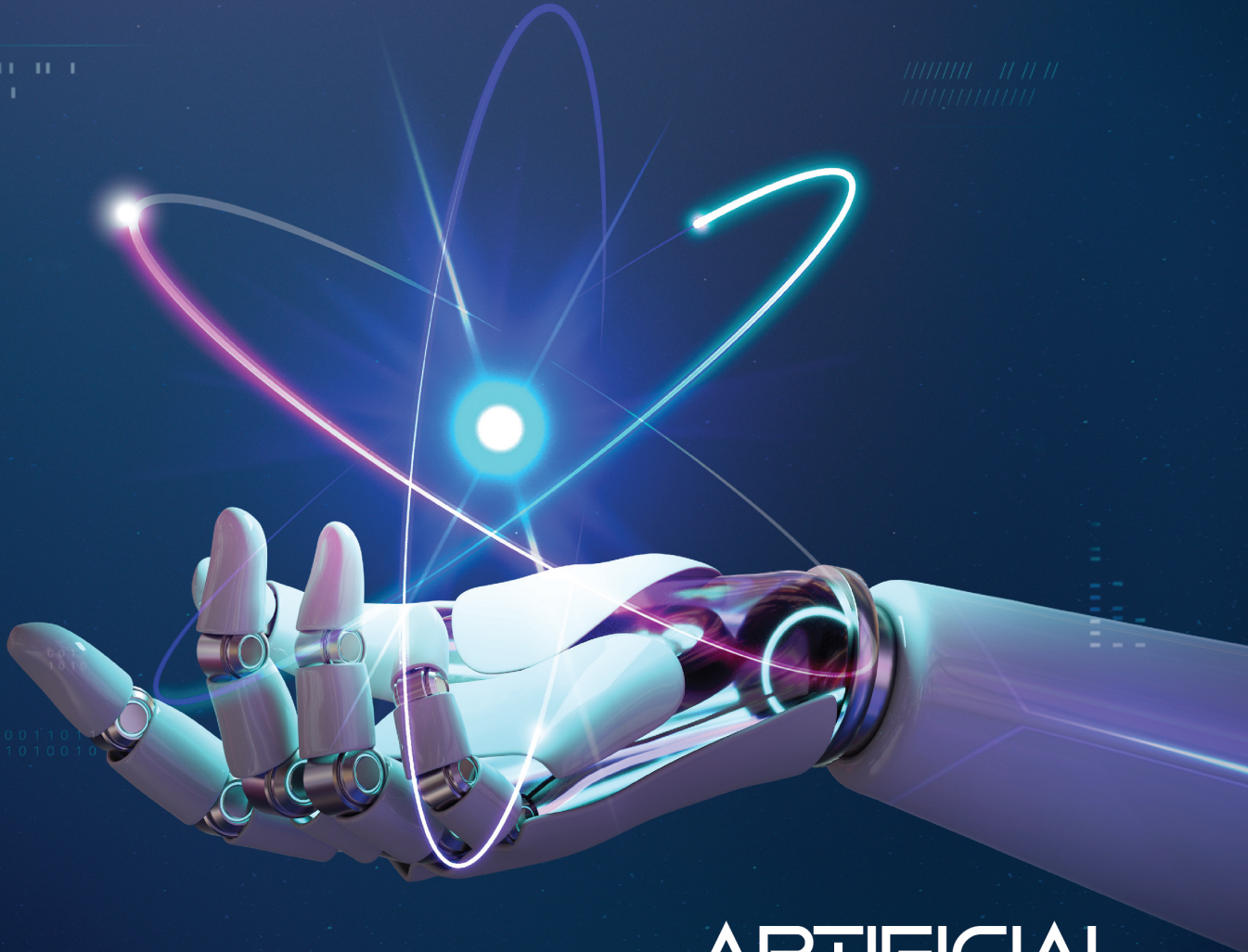


RISE

Catalysing Global Research Excellence



ARTIFICIAL
INTELLIGENCE (AI):
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ABOUT THE MAGAZINE

RISE Magazine is published by Office of the Deputy Vice-Chancellor (Research and Innovation) with aims to highlight a research and innovation on multidisciplinary expert of fields in UiTM. It serves as a platform for researcher to showcase their high quality and impactful findings, activities and innovative solution through publication. Contribution of these ideas come from academicians, researchers, graduates and universities professionals who will enhance the visibility of research and stride to elevate Universiti Teknologi MARA to global standards. This is an effort to promote research as a culture that is accepted by all expertise.

ABOUT UiTM

Universiti Teknologi MARA (UiTM) is a public university based primarily in Shah Alam, Malaysia. It has grown into the largest institution of higher education in Malaysia as measured by physical infrastructure, faculty and staff, and student enrollment. UiTM is the largest public university in Malaysia with numerous campuses throughout all 13 states in Malaysia. There is a mixture of research, coursework and programmes offered to the students. The Office of the Deputy Vice-Chancellor (Research and Innovation) also known as PTNCPI (*Pejabat Timbalan Naib Canselor (Penyelidikan dan Inovasi)*) serves as a *Pusat Tanggungjawab* (PTJ) for navigating the research and innovation agenda of the university to achieve UiTM's goals. The PTNCPI office strives to mobilize faculty and campuses, fostering collaboration among researchers, with the aim of transforming the University into a Globally Renowned University by 2025



Non-Fungible Token (NFT) as a Future Asset in Islamic Wealth Management

The Islamic finance industry is rapidly expanding worldwide, fueled by the latest and distinctive innovation known as Fintech, which incorporates Artificial Intelligence (AI) into the financial landscape via the internet. Islamic finance is projected to outpace its conventional counterpart in several Muslim-majority countries, including Saudi Arabia, Malaysia, Indonesia, and others. Dinar Standard, a boutique Islamic finance research firm, has compiled a Global Islamic Fintech Index, placing Malaysia and Saudi Arabia at the forefront, followed by Indonesia, the United Kingdom (UK), and the United Arab Emirates (UAE). The estimated income generated via Islamic fintech is expected to reach USD 179 billion by 2026.

As the Fintech sector expands, Islamic wealth management, a vital component of Islamic finance, is gaining prominence. This sector of the market has been saturated with traditional financial products over the years. However, the increasing popularity of Non-Fungible Tokens (NFTs) has revealed a business potential that Islamic financial institutions should explore.

NFTs are another type of Fintech product created using blockchain technology, a unique digital data store that cannot be easily replicated or tampered with. This distinctive property of NFTs makes them promising financial assets. Moreover, despite others being able to view or use the object, ownership remains with the

principal owner. Consequently, it is not surprising that NFTs are gaining traction among artists in creative fields such as paintings, music, films, and others. Intellectual infringement has long been a concern for participants in this business, and NFTs provide security and preserve asset value for them. Additionally, due to the rarity of the assets and high demand, their value increases over time.

Astro Awani, on 9 June 2022, revealed that intellectual piracy costs the entertainment industry more than RM 3 billion, while Sinar Harian, on 5 March 2021, stated that the government loses around 25% of tax income from the sector. In the context of Islamic wealth management and its relevance to NFT, the increasing demand and usage of NFTs could potentially provide Islamic financial institutions with a new source of revenue.

In general, *Shariah* experts believe that NFTs are *Shariah*-compliant as long as the substance and method by which the NFT was designed and administered adhere to *Shariah* principles. As mentioned earlier, the most prevalent products using NFT technology are creative arts merchandise. For instance, if it contains music, the lyrics should not include vulgar phrases, and art, such as paintings, must not reveal the "aura" of a man or woman, among other considerations. The concept of NFTs as an Islamic wealth management asset is still evolving, making it essential to seek advice from *Shariah* advisors.



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Importantly, NFTs can be used in all four components of Islamic wealth management, starting with wealth creation and progressing through wealth accumulation, wealth preservation, and wealth purification. For wealth creation, an investor purchases an NFT license for investment purposes. Subsequently, the investor moves into the wealth accumulation stage by holding the NFT for an extended period, allowing its value to appreciate. Wealth preservation is closely linked to having a *takaful* policy in place to safeguard both the NFT and the NFT owner (investor) against unforeseen calamities. The final phase, wealth purification, involves the NFT investor paying *zakat* on the earnings from the sale of the NFT.

The future of NFTs is promising; Statista forecasts that income generated from the global NFT business will reach USD 1,601 million in 2023, with a global market penetration of 0.2%. Additionally, it is predicted that the number of NFT users will be around 19.31 million by 2027. In the region, a survey conducted by Finder revealed that a majority of the respondents reported owning assets in the form of NFTs, with 5% of respondents from Singapore, followed by Indonesia and the Philippines at 4% each, and Malaysia at 3%. Consequently, Islamic financial institutions must be responsive to the market's appetite for NFTs.

In my recent article published by *Dewan Ekonomi* in the April 2023 issue, titled "*Token Tidak Sepiawai atau Non-Fungible Token (NFT) – Produk Kewangan Masa Depan,*" I have proposed that the government, with *Bank Negara* as the primary regulator, should develop robust regulations and guidelines to meet the demands of the industry. This will encourage the public, especially artists and fans of creative arts, to actively trade their NFTs.

Government support and a strong infrastructure are crucial as they promote demand and instill market confidence. Who knows, perhaps one day UiTM will become the first public university in Malaysia, if not the world, to issue NFTs for the university's creative arts products, produced by staff and students. Considering UiTM's strong presence not only in Malaysia but also globally, such an initiative could have a significant impact.