



Assuring Trust. Delivering Value.

Development of Islamic Social Finance in Malaysia's Banking **Industry**

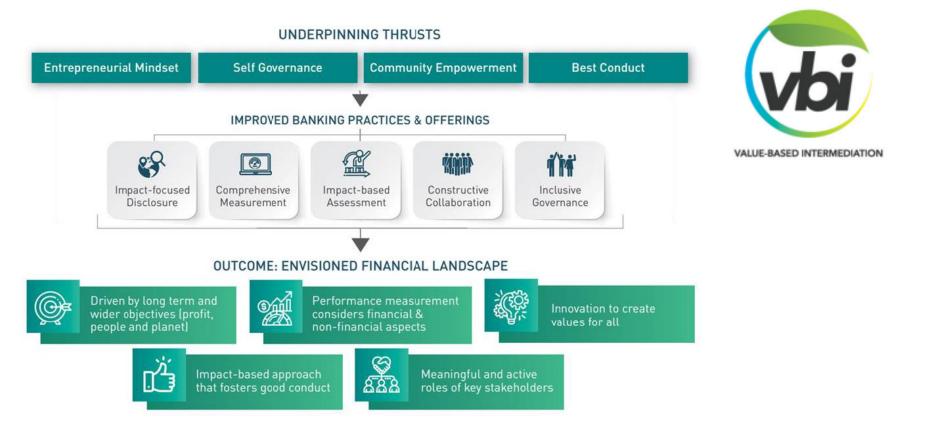
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Value-Based Intermediation (VBI) was introduced in 2017 to strengthen the roles and impacts of Islamic financial institutions. VBI serves as a catalyst for IFIs to promote social finance in a comprehensive and structured way.



Defining social finance and financial inclusion in Malaysia's banking industry, towards 2026.



Financial Sector Blueprint 2022-2026 issued by Central Bank of Malaysia (February 2022) has clearly defined the concept of social finance, blended finance and funding escalator.

Blended Finance:

combination of commercial funding (e.g. microfinancing) and philanthropic capital to fund beneficiaries based on adjusted risk acceptance criteria.

Funding Escalator:

Incubation of beneficiaries using philanthropic capital as they develop their creditworthiness and business track record, upon which they graduate to source for commercial-driven funding.

FINANCIAL INCLUSION

SOCIAL FINANCE

BLENDED FINANCE

- iTEKAD Maju Microfinance
- iTEKAD BangKIT Microfinance

FUNDING ESCALATOR

BangKIT Business Grant

- PF Asnaf (Home Ownership)
- Sadaqa House (including Orphan Fund)
- myWakaf & Makmur mvWakaf
- Awqaf Ummah Financing Program
- Zakat Management

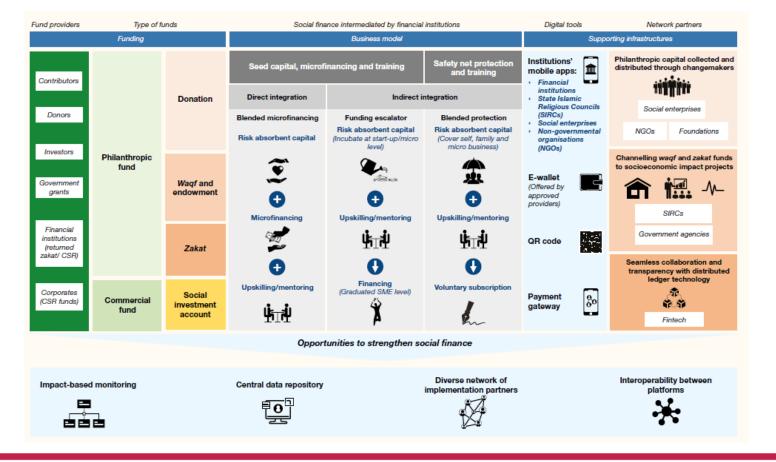
Financial Inclusion:

Refers to inclusive finance initiatives, where all segments of society have access to suitable and affordable financial services, that contributes towards equitable and sustainable growth.

Social Finance: Refers to financial structures or business models that aim to deliver tangible social outcomes by mobilising philanthropic capital such as sadaqa (donation), waqf (endowment) and zakat (alms).



Since 2018 with the launching of myWakaf, Islamic banks are encouraged to become aggregators to increase collaboration in strengthening social finance impacts



Islamic banks may undertake diverse roles in building social resilience by "mainstreaming social finance" towards achieving socio-economic aspirations



TOWARDS ACHIEVING SOCIO-ECONOMIC ASPIRATIONS



Business empowerment



Financial resilience



Social development

LEVERAGING ON ISLAMIC FINANCIAL INSTITUTIONS TO UNDERTAKE DIVERSE ROLES...

Collection and distribution agent

Wide range of banking channels such as online banking, ATMs and branches

Fund manager

Competent in managing and investing funds, with well-defined governance and risk management

Platform provider

Readily available platform and expertise

Payment facilitator

Facilitates payment through multi-channel payment gateways

Underwriter

Underwrites risk fund to offer financial protection for targeted segments

...AND INNOVATING PRODUCTS USING AVAILABLE SOCIAL FINANCE INSTRUMENTS

Sadaqah

- · Voluntary contributions
- Funds are used for charitable purposes

Waqf

- Voluntary contributions
- Funds/assets are perpetual from which its benefits are used for any charitable purposes

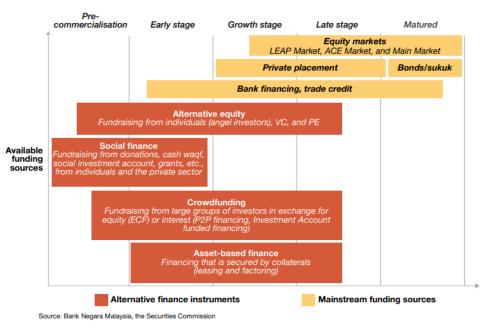
Zakat

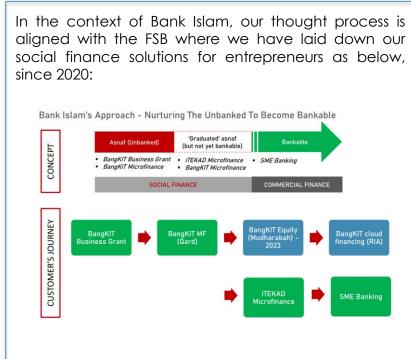
- Religious obligation
- Funds can only be used to benefit eight categories of beneficiaries (i.e. asnaf)



Bridging unbankable entrepreneurs to be bankable using social finance

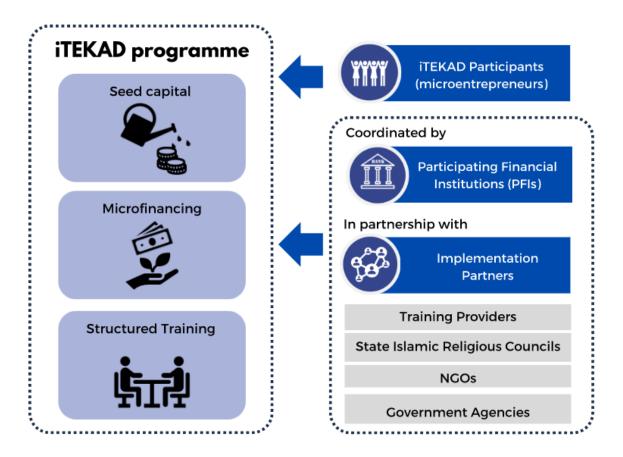
Social finance meets diversified funding needs of entrepreneurs throughout stages of development from precommercialisation to the early stage, before such entrepreneurs would be eligible for **mainstream funding sources** as well as alternative finance instruments.





iTEKAD ("my determination"), with 3 components, was launched as a national agenda in 2020 (during COVID19) to address challenges faced by micro-entreprenuers with Bank Islam as the pilot bank





Funds available to PFIs:



BNM's Micro Enterprises Facility (MEF)



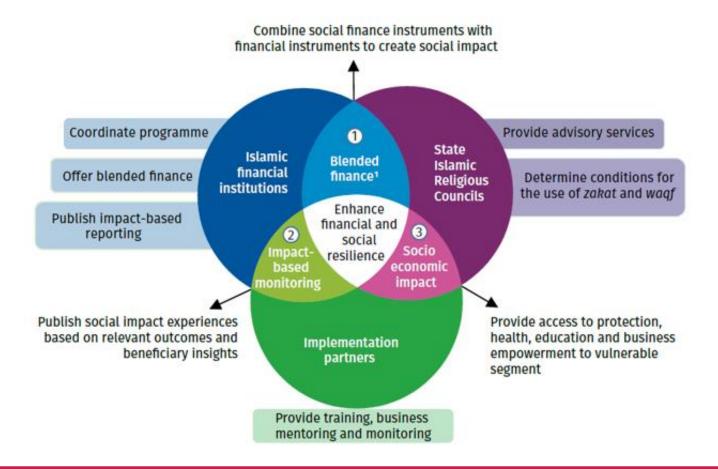
Government's iTEKAD matching grant

Salient Features of the Programme:

- Seed capital (funded by social finance instruments) to acquire business assets
- Microfinancing supports working capital needs for business expansion and instill prudent financial behaviours
- Capacity building (including business mentoring) improves entrepreneurial skills for business viability and performance
- Impact-based monitoring enhances programme effectiveness and track achievement of outcomes

Integration of social finance requires IFIs to work closely with States Islamic Religious Councils and non-traditional partners such as social enterprises & NGOs





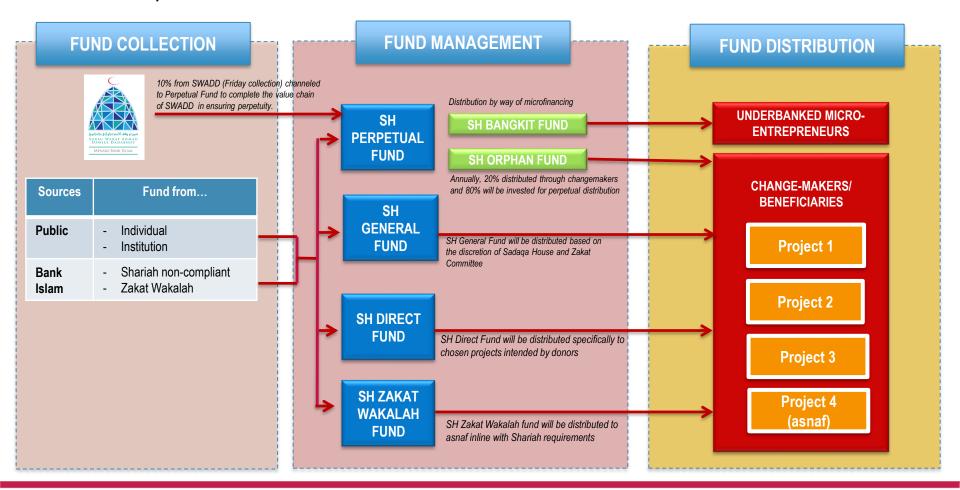
	Since 2020	New in 2021	
Islamic banks	Bank Islam Malaysia Berhad	Bank Muamalat Malaysia Berhad	CIMB Islamic Bank Berhad
Programme name	iTEKAD Microfinancing	iTEKAD Mawaddah	CIMB Islamic Rider Entrepreneur Programme
Programme structure	Returned zakat¹ and microfinancing facility	Returned zakat and two-tier mudarabah investment¹	Internal CSR ² grant, cash waqf and microfinancing facility
Value added propositions	Zakat funded purchase of business equipment	Facilitation of halal certification process	CSR ² and waqf funded motorcycles and entrepreneurship training programme for beneficiaries, with prospective opportunity for business financing if required
Target beneficiaries	B40 and asnaf microentrepreneurs	Halal microentrepreneurs	Individuals from B40 and asnaf categories
Outreach	Kuala Lumpur, Perlis and Selangor	Nationwide	Klang Valley
Implementation partners • State Islamic Religious Councils (SIRCs) • Social enterprises • NGOs • Universities	 Majlis Agama Islam Wilayah Persekutuan SME Corporation Malaysia Majlis Agama Islam dan Adat Istiadat Melayu Perlis³ Teraju Ekonomi Asnaf Sdn. Bhd.³ 	People Systems Consultancy Sdn. Bhd. Serunai Commerce Sdn. Bhd.	Yayasan Belia Malaysia Foodpanda (Malaysia) Sdn. Bhd. Taylor's University



As at 2021, three (3) Islamic banks offer iTEKAD and in 2022, another five (5) banks joined the force.

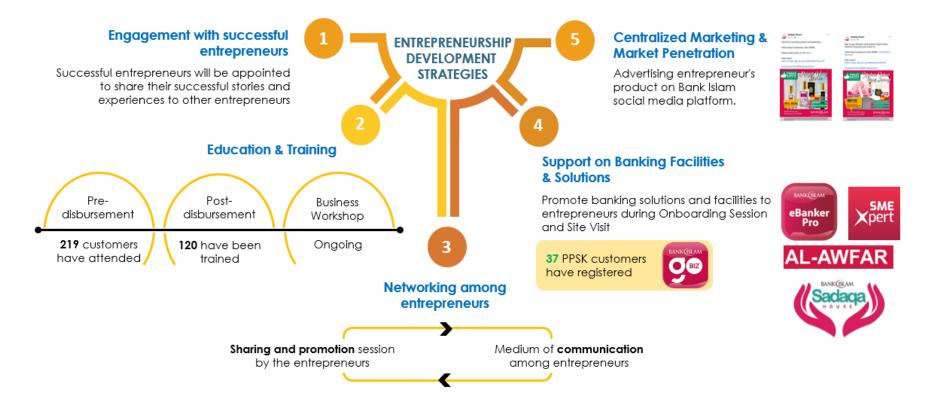
Sadaqa House that was launched in 2018 has enabled "qardh" based iTEKAD BangKIT microfinance. Since MAR21, with the initial donation of RM4.0 million, SH has disbursed RM4.1 million to 380 borrowers





To promote social upward mobility of micro-entreprenuers (Grade 1 and Grade 2), the focus was given to entreprenuership development activities and usage of technology





Impact on entreprenuers are evaluated based on four (4) dimensions and classified into two (2) grades:



Grade 1: Improved credit-worthiness

Grade 2: Improved in other dimensions



- · 32% generated average monthly sales more than RM4,000
- 30% have asset value above RM10,000 to run business viably
- · 64% saved on average up to RM2,000 of business income per month
- · Forms of savings include bank deposits and other investments

- 0 74 **Business** Employment Growth

- Microbusinesses sustained operations and jobs:
 - · 40% self-employed
 - 54% retained 1 to 3 employees
 - · 6% retained 4 to 10 employees
- 100% conduct online sales
- · 16% started using e-wallet payment for business transactions
- 5 businesses run official websites with secured payment gateway

Recipients of BIMB's iTEKAD microfinance exceeds RM7.7 million as at 31st October 2022



BangKIT Microfinance

- □ Qard Hasan (0%) blended finance
- ☐ 380 borrowers
- Disbursement of RM4,114,000.00

iTEKAD Microfinance

- ☐ Tawarruq RM10,000 RM50,000 (4%) blended finance
- ☐ 145 customers
- ☐ Disbursement of RM3,616,000

BangKIT Business Grant (zakat)

- Zakat (escalator program)
- 87 participants
- ☐ Disbursement **RM315,700.00**

Three (3) selected stories – iTEKAD BangKIT (qardh)





AYU (KEDAH)

- Ayu is married and currently taking care of her old-aged parents
- Loss her job due to pandemic
- Find alternatives to earn income start a business of breeding rabbits and selling them as pets or livestock.
- · lacked capital to pursue her dream

Rabbit farming
Approved amount RM3,000

Income before: RM0

Income after: RM3,000

Able to donate essential foods to others in her neighbourhood



BIBI (SELANGOR)

Bibi and her husband started manufacturing and selling perfume for in 2019 to support their 3 children The perfumes brand is inspired by her very own collection

 Despite great feedbacks, she lacked in resources and capital to increase the perfumer's production and expand her business

Manufacturing and selling perfume
Approved amount
RM20,000

Income before: RM5,000

Income after: RM70,000

Able to pay RM1,000 insurance premium for family Created job opportunity



AZIMAH (SELANGOR)

Azimah is married and yet to have a child She ventures into tailoring business in 2017 and has a shop in Jeram, Selangor.

- · Due to MCO she had to close down her shop
- Then, decide to shift her business to online selling washable cloth face masks
- Production is limited due to lack of resources

Tailoring
Approved amount
RM10,000

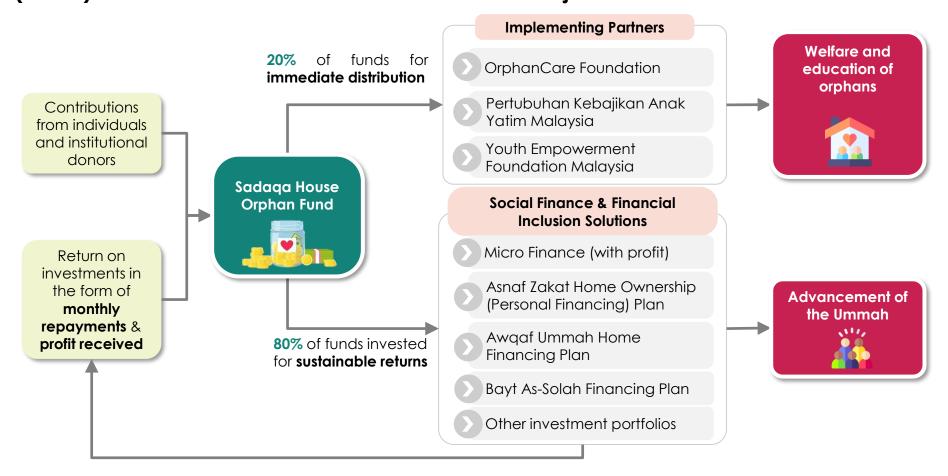
Income before: RM10,000

Income after: RM50,000

Able to settle PTPTN loan
Provided job opportunities to youths

Sadaqa House Orphan Fund (launched in May 2022) will be developed as the catalyst for Community Economic Empowerment Ecosystem ("C3E"). Mission 2040: RM1 billion fund with 2 main objectives.







THANK YOU

Bank Islam ensures that social and environmental considerations are consistently its top priority governed by the Bank's core values and Shariah principles. More initiatives will be developed by the Bank as the Bank strives to make a positive difference for its financial and social performance.

