



Assuring Trust. Delivering Value.



Development of Islamic Social Finance in Malaysia's Banking Industry

11th Global Islamic Microfinance Forum
21-22 November 2022

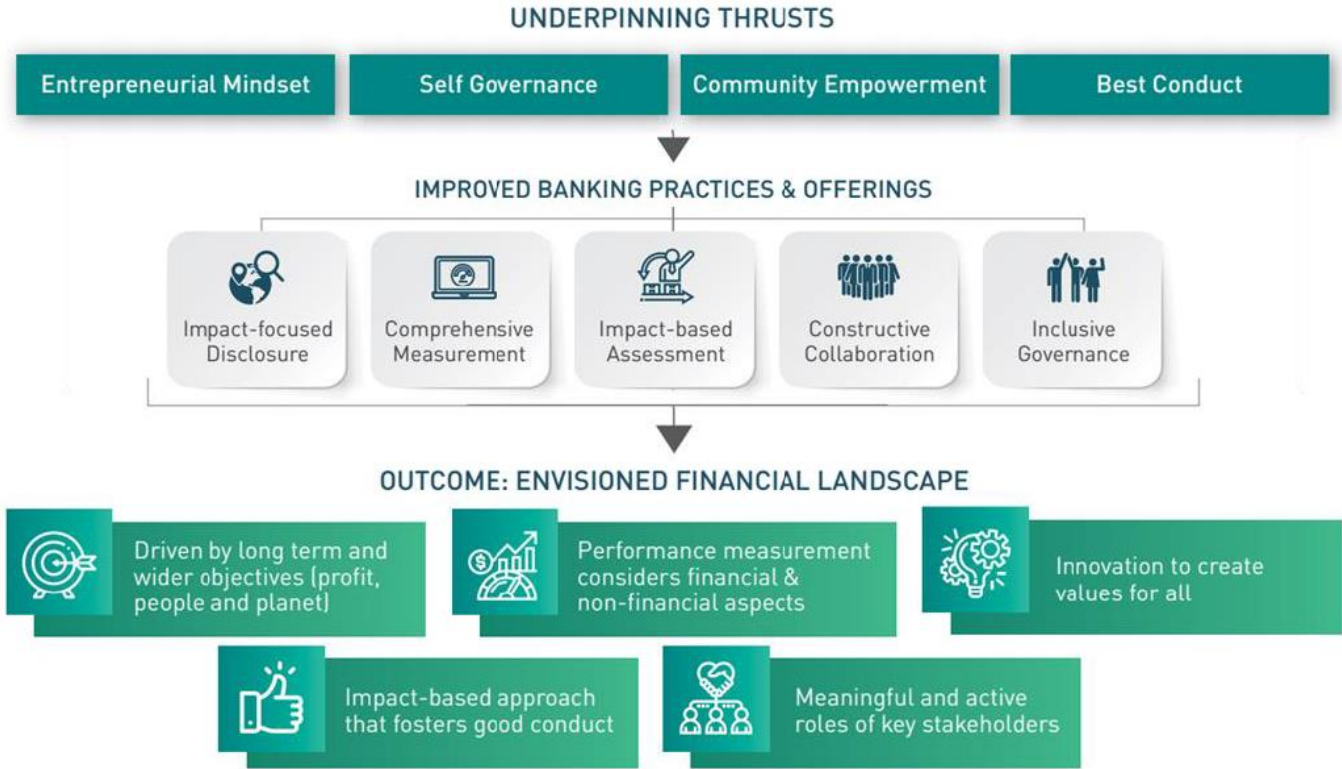
Mohd Nazri Chik
Group Chief Financial Inclusion Officer
Bank Islam Malaysia Berhad



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.



VALUE-BASED INTERMEDIATION



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

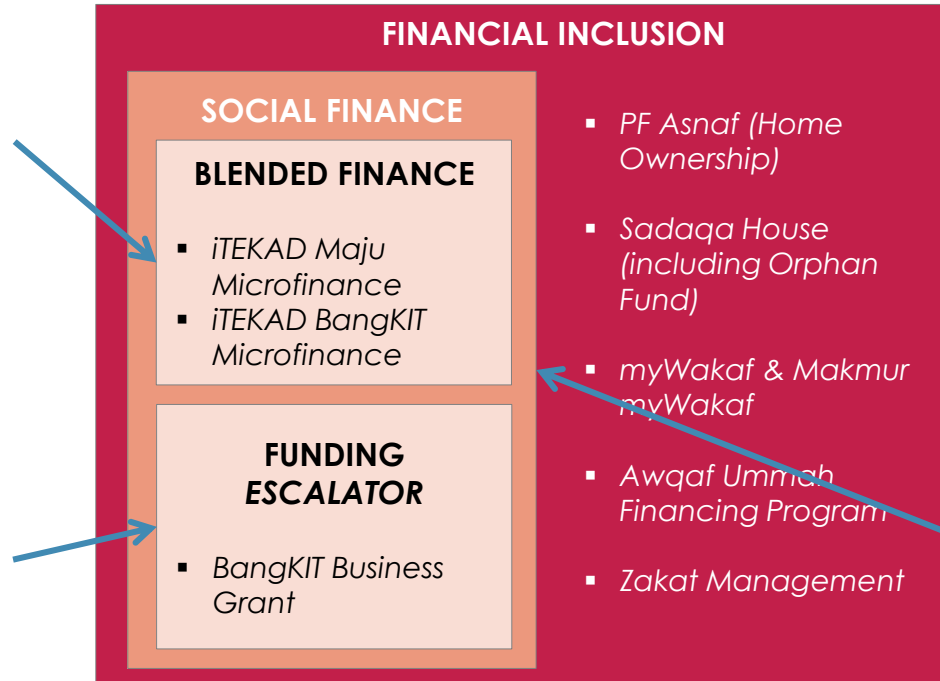
Financial Sector Blueprint 2022-2026 issued by Central Bank of Malaysia (February 2022) has clearly defined the concept of social finance, blended finance and funding escalator.

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.

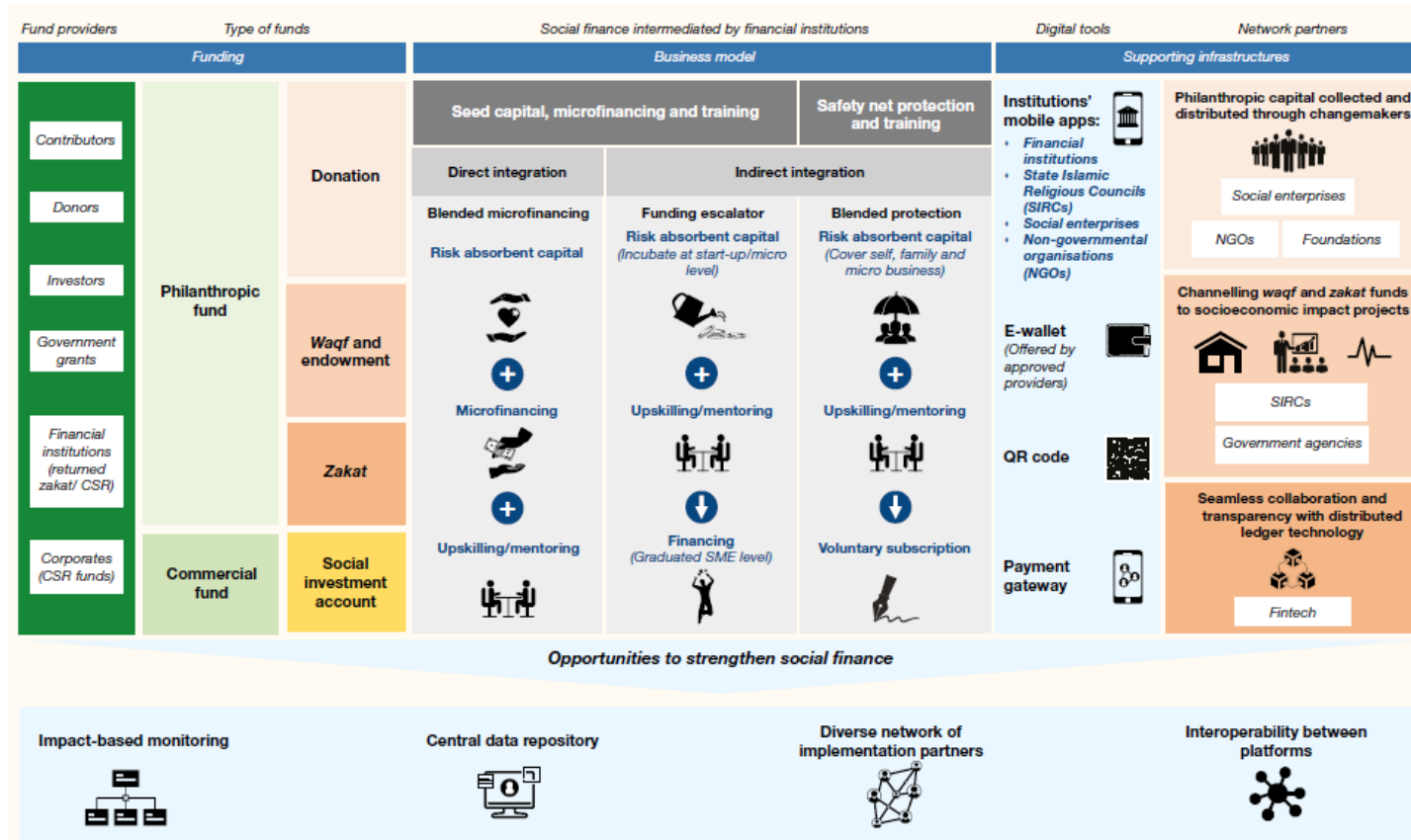


Financial Inclusion:

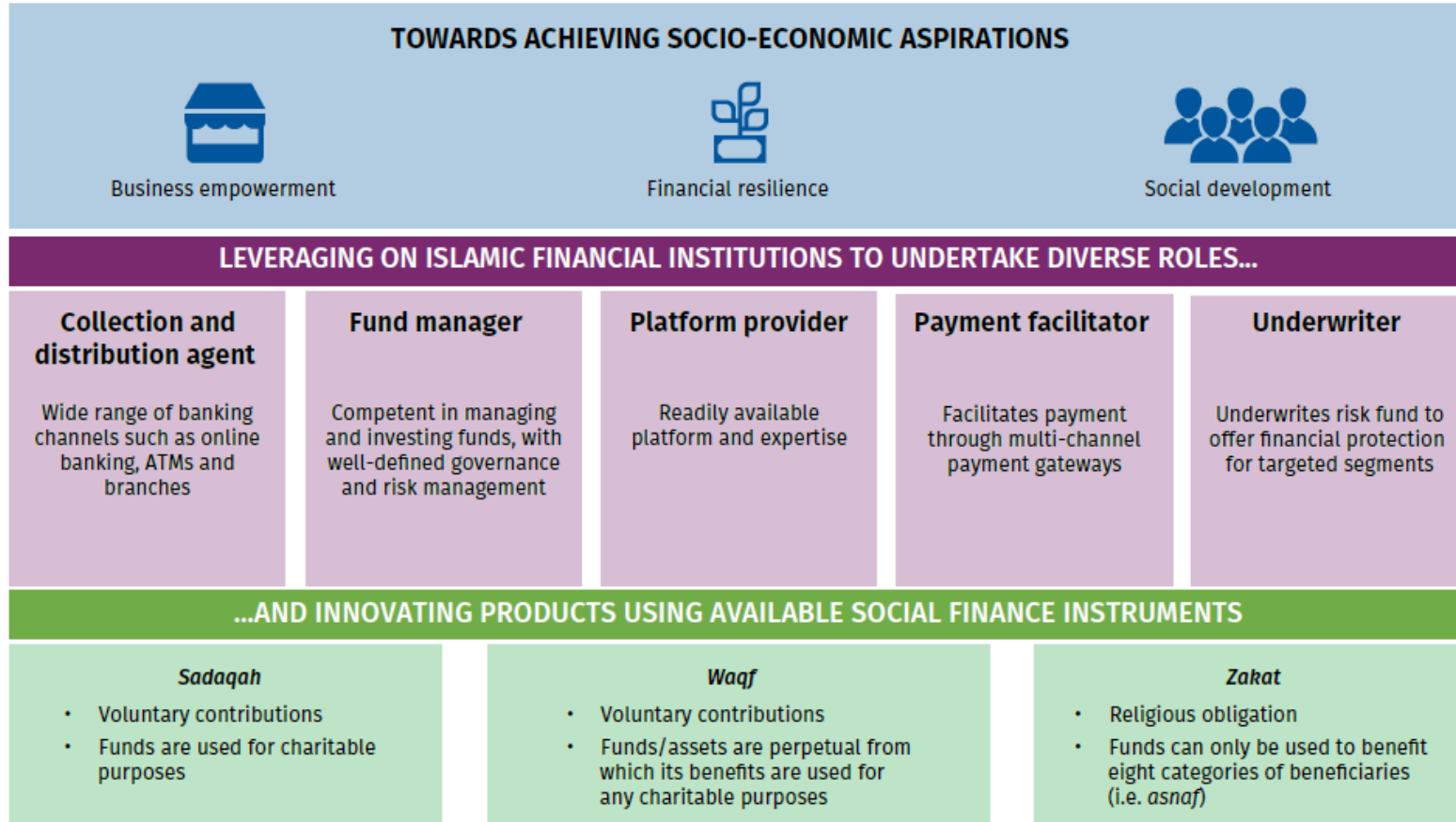
Refers to inclusive finance initiatives, where all segments of society have access to suitable and affordable financial services, that contributes towards equitable and sustainable growth.

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

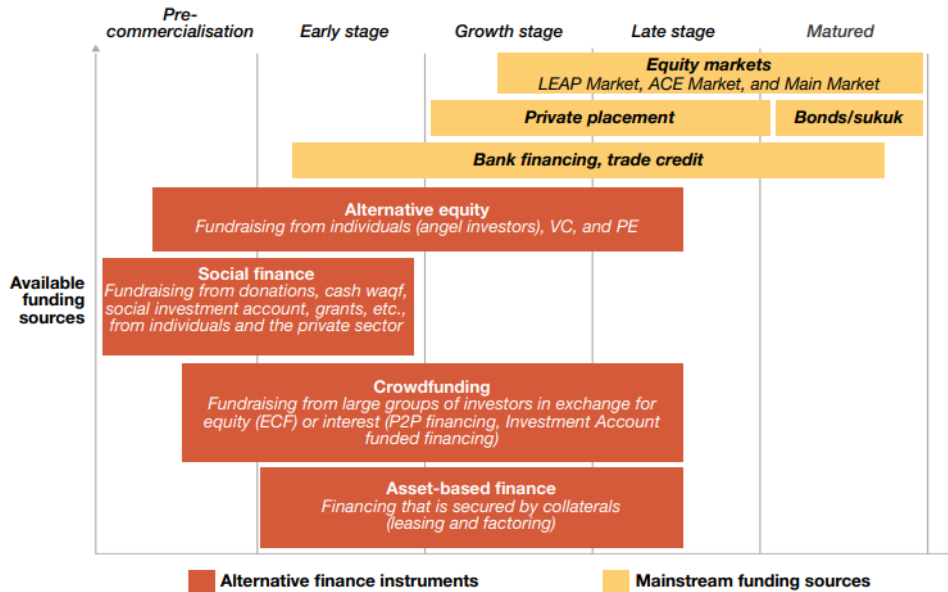


Islamic banks may undertake diverse roles in building social resilience by “mainstreaming social finance” towards achieving socio-economic aspirations



Bridging unbankable entrepreneurs to be bankable using social finance

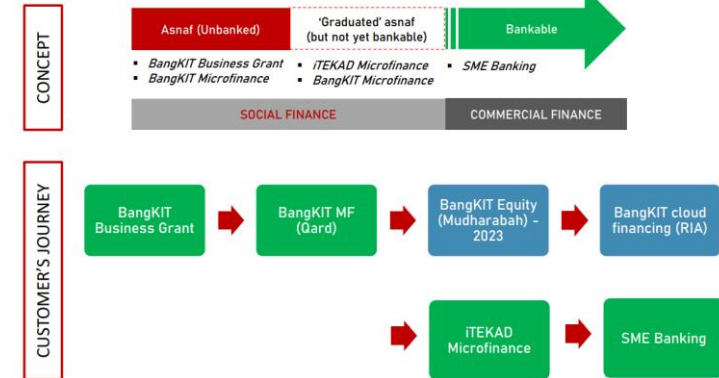
Social finance meets diversified funding needs of entrepreneurs throughout stages of development from pre-commercialisation to the early stage, before such entrepreneurs would be eligible for **mainstream funding sources** as well as alternative finance instruments.



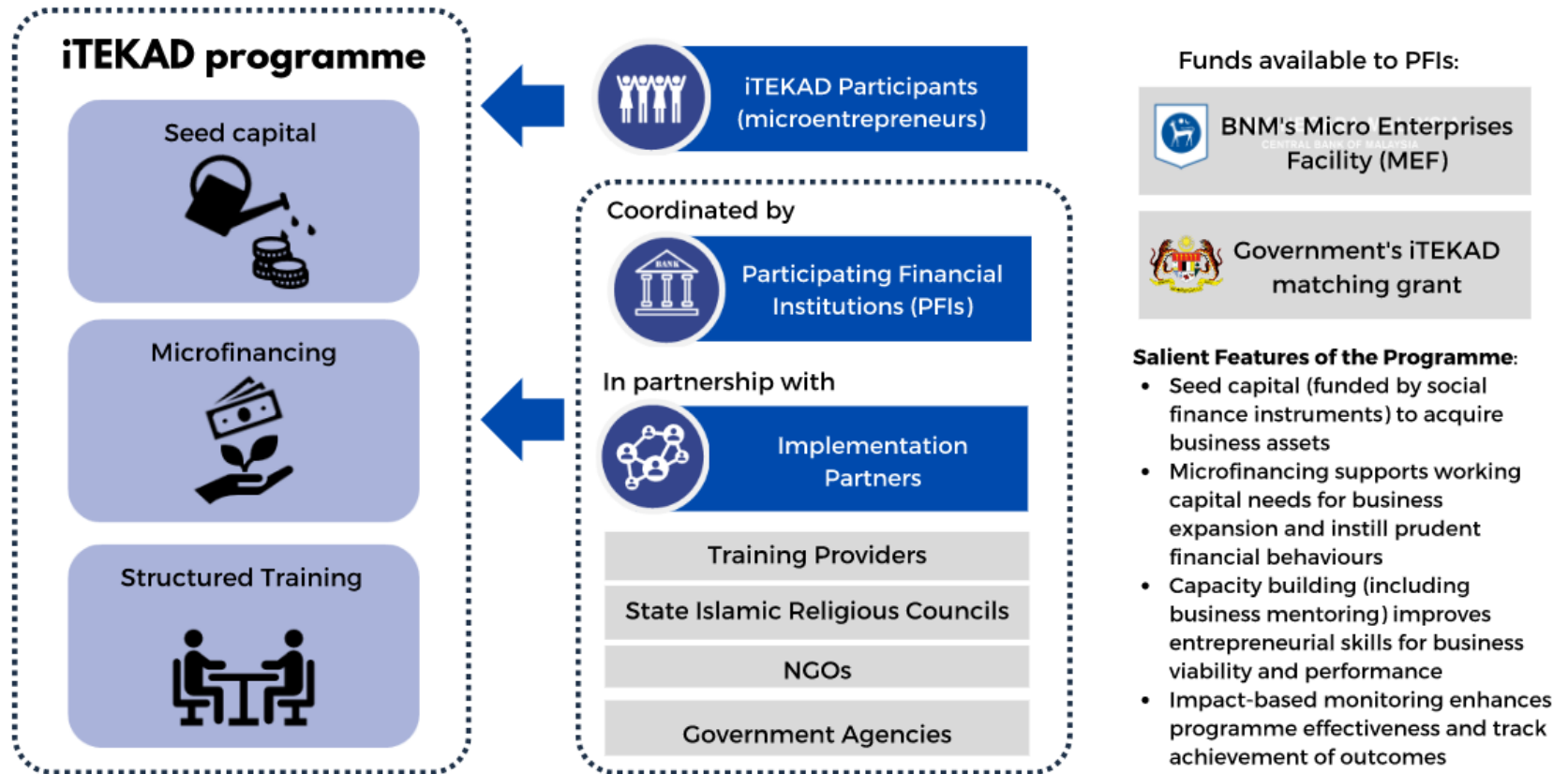
Source: Bank Negara Malaysia, the Securities Commission

In the context of Bank Islam, our thought process is aligned with the FSB where we have laid down our social finance solutions for entrepreneurs as below, since 2020:

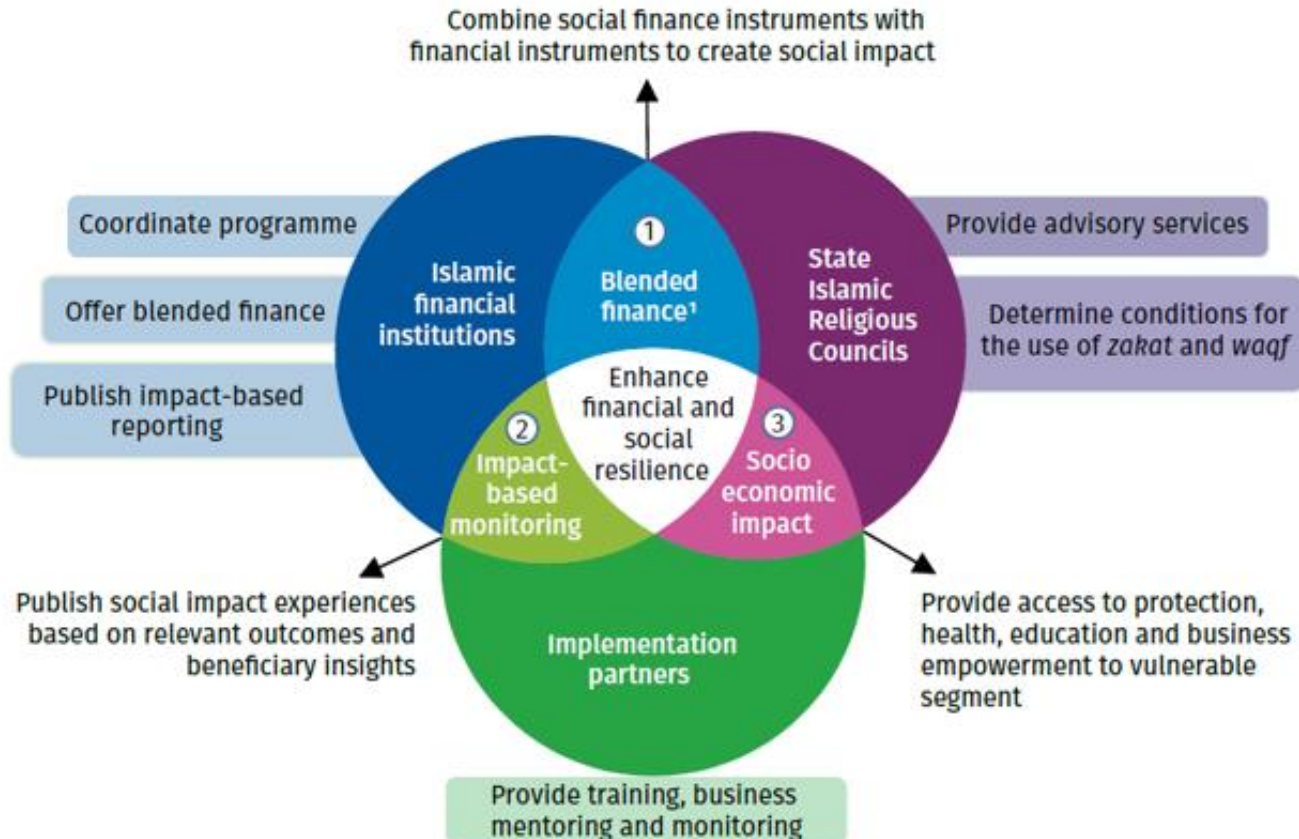
Bank Islam's Approach - Nurturing The Unbanked To Become Bankable



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



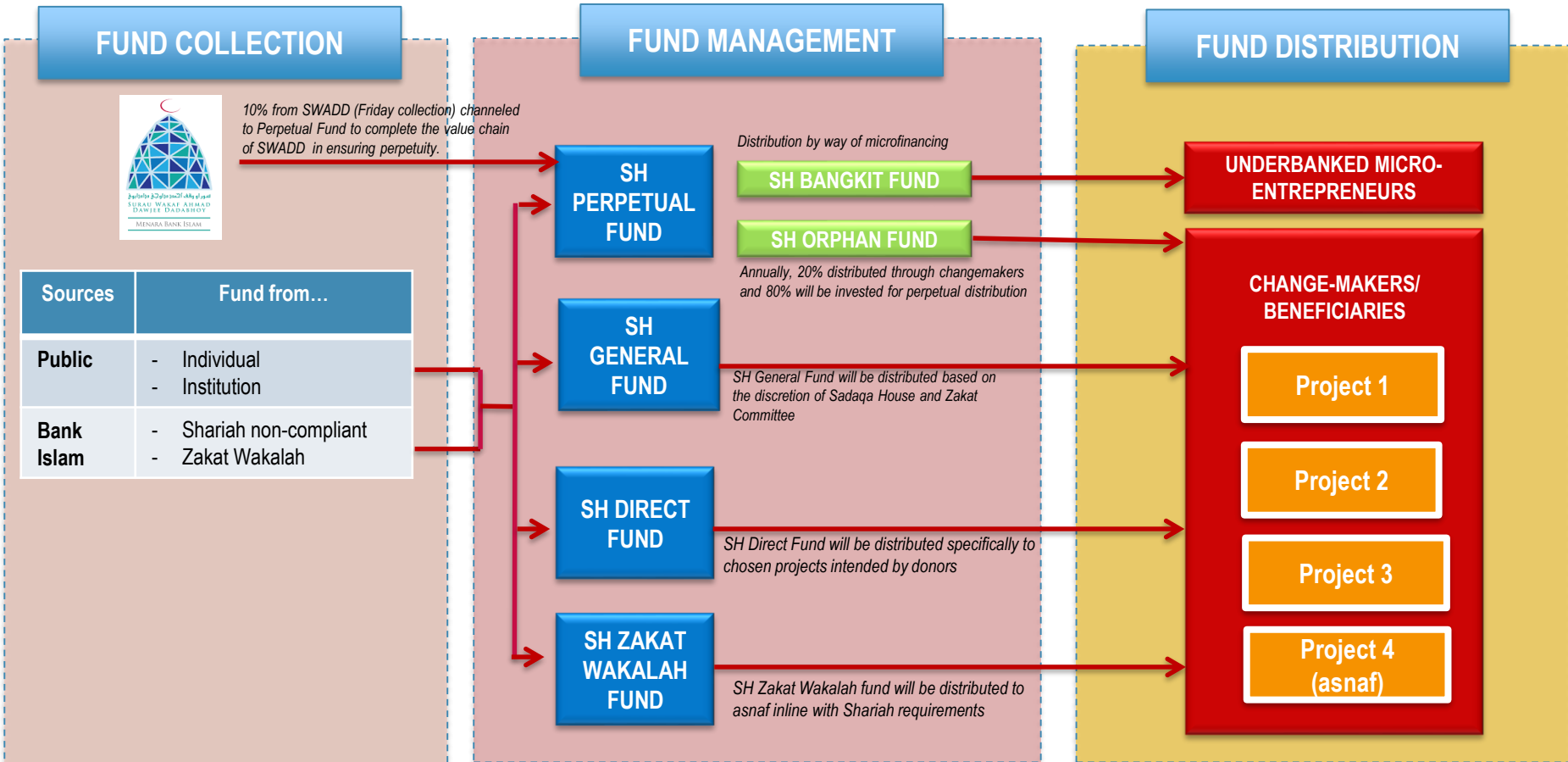
Integration of social finance requires IFIs to work closely with States Islamic Religious Councils and non-traditional partners such as social enterprises & NGOs



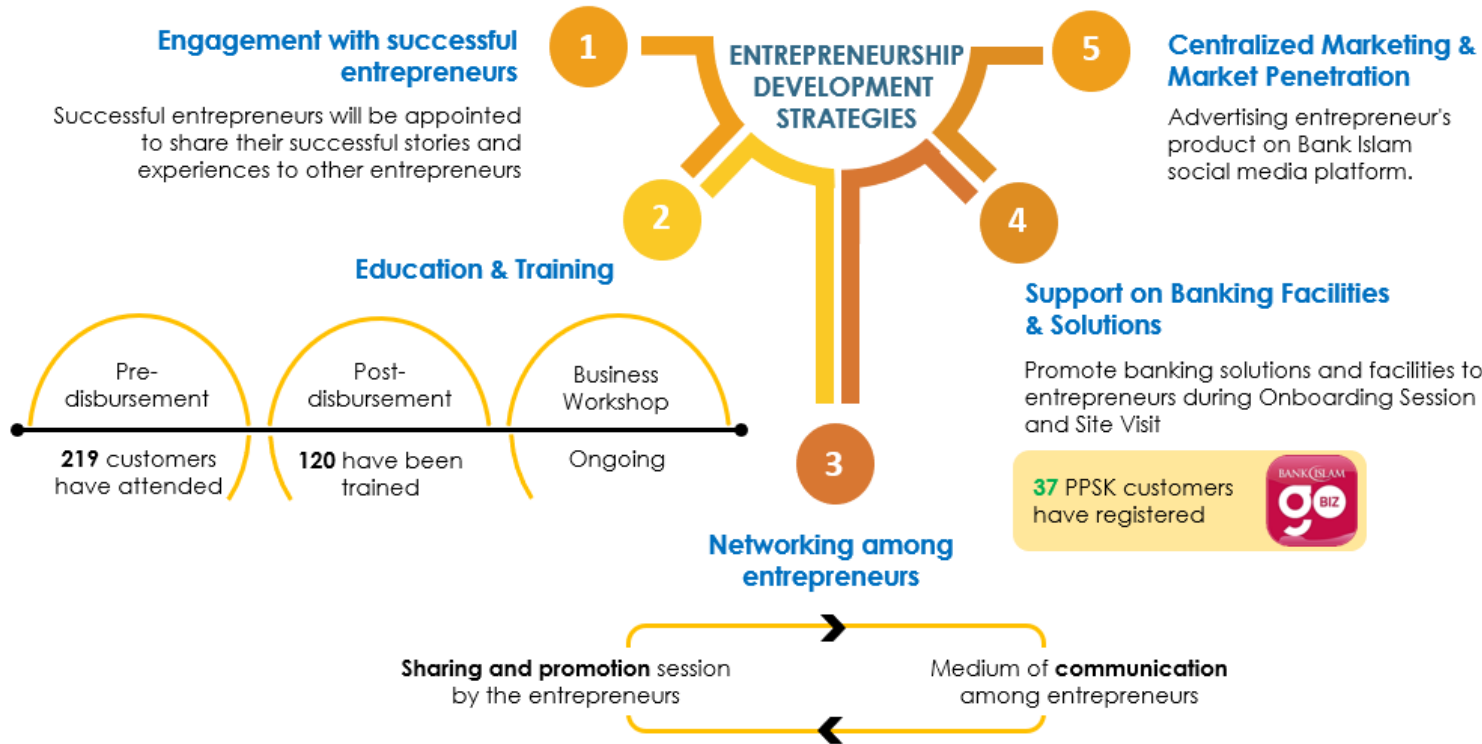
	Since 2020	New in 2021	
Islamic banks	Bank Islam Malaysia Berhad	Bank Muamalat Malaysia Berhad	CIMB Islamic Bank Berhad
Programme name	iTEKAD Microfinancing	iTEKAD Mawaddah	CIMB Islamic Rider Entrepreneur Programme
Programme structure	Returned <i>zakat</i> ¹ and microfinancing facility	Returned <i>zakat</i> and two-tier <i>mudarahab</i> investment ¹	Internal CSR ² grant, cash <i>waqf</i> and microfinancing facility
Value added propositions	<i>Zakat</i> funded purchase of business equipment	Facilitation of <i>halal</i> certification process	CSR ² and <i>waqf</i> funded motorcycles and entrepreneurship training programme for beneficiaries, with prospective opportunity for business financing if required
Target beneficiaries	B40 and <i>asnaf</i> microentrepreneurs	<i>Halal</i> microentrepreneurs	Individuals from B40 and <i>asnaf</i> categories
Outreach	Kuala Lumpur, Perlis and Selangor	Nationwide	Klang Valley
Implementation partners	<ul style="list-style-type: none"> • Majlis Agama Islam Wilayah Persekutuan • SME Corporation Malaysia • Majlis Agama Islam dan Adat Istiadat Melayu Perlis³ • Teraju Ekonomi Asnaf Sdn. Bhd.³ 	<ul style="list-style-type: none"> • People Systems Consultancy Sdn. Bhd. • Serunai Commerce Sdn. Bhd. 	<ul style="list-style-type: none"> • 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-entrepreneurs (Grade 1 and Grade 2), the focus was given to entrepreneurship development activities and usage of technology



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

Grade 1: Improved credit-worthiness

Grade 2: Improved in other dimensions

Evaluation on ITEKAD Impact through 4 key dimensions¹



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

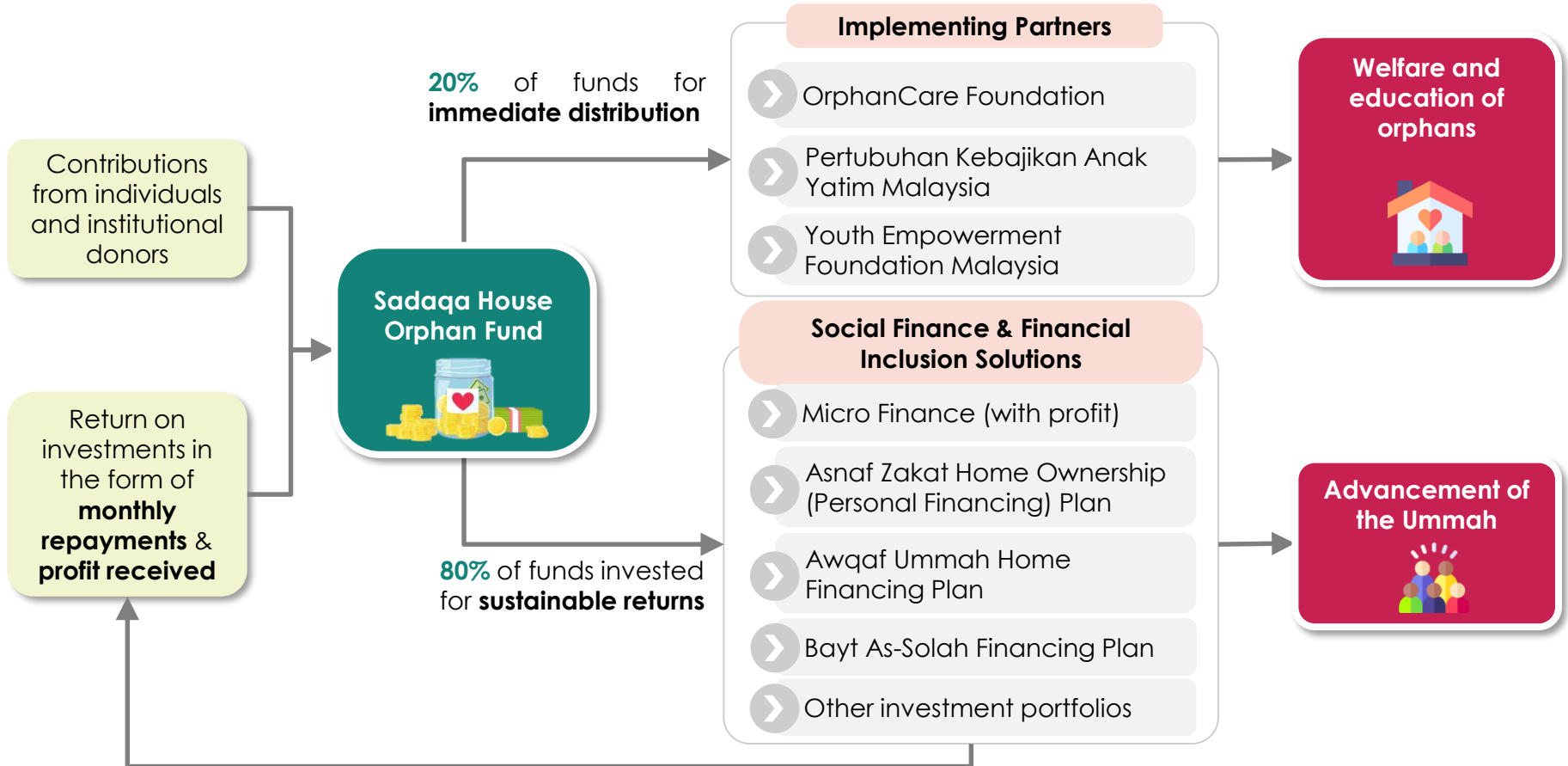
Approved amount RM10,000

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.



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