



AFRICAN TAKAFUL
& NON-INTEREST FINANCE
C O N F E R E N C E

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LAGOS, NIGERIA

PARTNERS



HOST



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**The Islamic Finance Value Chain:
VBiT/VBI as an Effective Response to Value Chain
Sustainability**

Discussion Points

- Learning from Adversity
- Islamic Finance Values & Challenges in Implementation
- Delivering the Value Proposition
- Value-Based Finance and Sustainability
- Summary

Learning from Adversity

Pandemic Disruption and Economic Impact

Financial & Economic Exclusion Worsens

Inequality gap widens as billionaires increase

Life, asset and income protection become a necessity

Going digital becomes a matter of survival for many SMEs



The wealth of the 10 richest men has doubled, while the incomes of 99% of humanity are worse off, because of COVID-19.

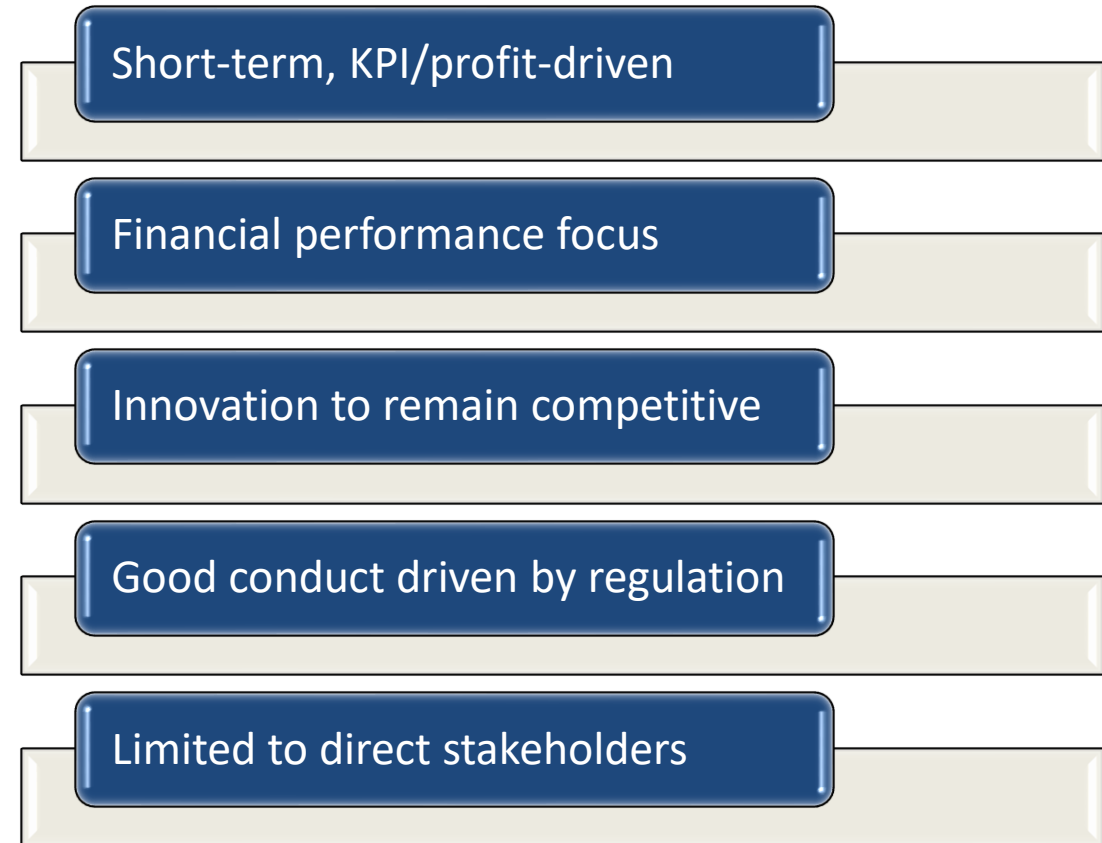


Since 1995, the top 1% have captured nearly 20 times more of global wealth than the bottom 50% of humanity.



Islamic Finance Values

Challenges in Practice



What should an Effective Islamic Finance Ecosystem look like?



Market Institutions

- Individual vs Societal Benefits
- Balanced application of *Huquq Fardi* and *Huquq 'Aam* in *Mu'amalat*



Commercial Finance Institutions

- Interest-free sector, with ethical screening on stocks
- Transparent Capital and Investment Managers
- Commercial Islamic Financial Institutions
- Retail Islamic Finance Institutions
- Islamic Microfinance Institutions
- Debt and Equity based financing



Development & Social Finance

- Islamic Development Finance Institutions
- Welfare organisations applying principles of zakat, waqf, takaful and sadaqah
- End-to-end Islamic Microfinance solutions
- **Measurable** social impact through a **standardised scorecard**

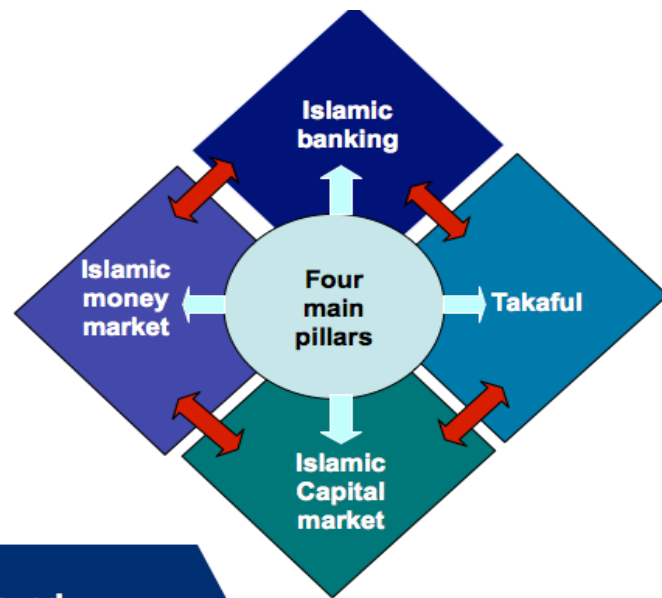


Government/Regulators

- Guidelines that create opportunity, ensure protection and instil best ethical market practice
- Stabilization Policies
- **Redistribution Policies, applying Islamic Social Finance solutions**
- Sustainable Development Policies, incentivised for PPP participation

Fintech Delivery – BaaS, BaaP, Metaverse, Takatech, RegTech, SocTech, CBDCs

Islamic Finance Value Chain – The Malaysian Lesson

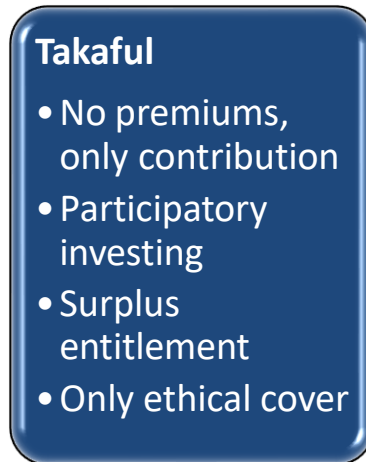


Underpinned by:

- Dynamic legal, regulatory and Shariah framework
- Strong & diversified players
- Vibrant financial markets with wide range of Islamic financial products
- Highly skilled and expert workforce
- Fintech Development provides enabling delivery channels, new services and broader access through cost-efficient products
- Development Finance offers societal empowerment for market-ready participation



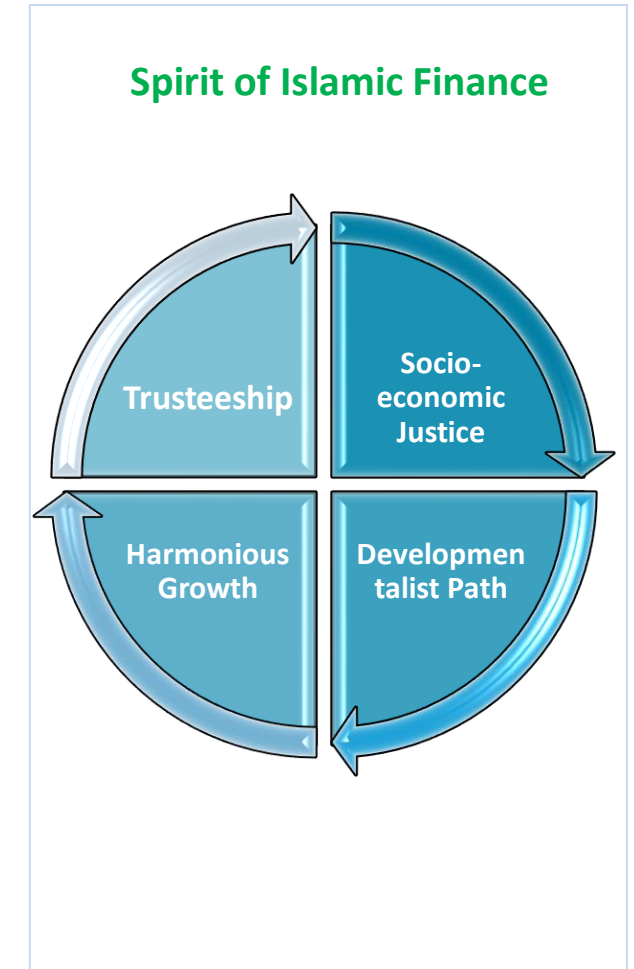
Islamic Finance Value Chain – Is its evolution addressing increasing harm?



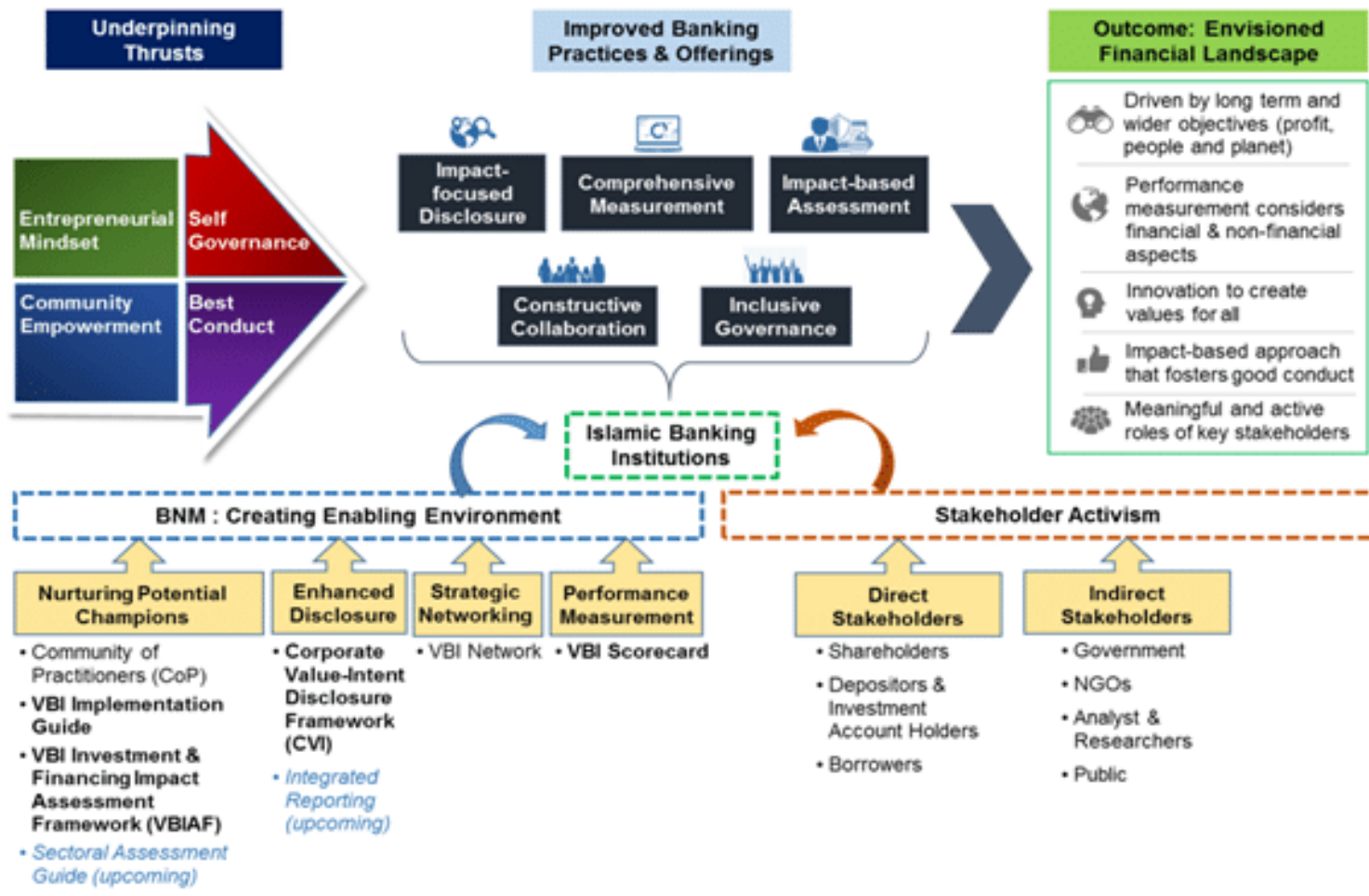
Market needs vary in scale and complexity, but are generally similar in category

- Source of Capital and Guarantees
- Asset/Trade Financing
- Business Security: Liability, Property
- Employee payroll and protection
- Short-term liquidity

Each sector has a crucial role to play in serving the market by maximizing on opportunity. But can this be done whilst maintaining the spirit of **Islamic Finance Value Creation?**



Value Chain and Value-based Intermediation



- VBI is the response to ESG/SRI with an Islamic ethos, but with a broad application
- Is the IF Value Chain generating sustainable value creation?
- Islamic Social Finance (both 'commercial' and social) require sophisticated techniques for SDG funding gaps: Blended Finance Opportunities, **PPPPs**
- Significant opportunities arise through collaborative financing and investment in nation-building. Can this be mapped out?

An example of an Integration Model

VBI & the future of Banking – Incorporating Islamic Social Finance

Basic Needs



- Nutrition
- Major Disease Treatment
- Sanitation
- Affordable Real Estate
- Access to Clean Water

Empowerment



- SME Finance
- Education
- Sustainable jobs
- Digital divide

Climate Change



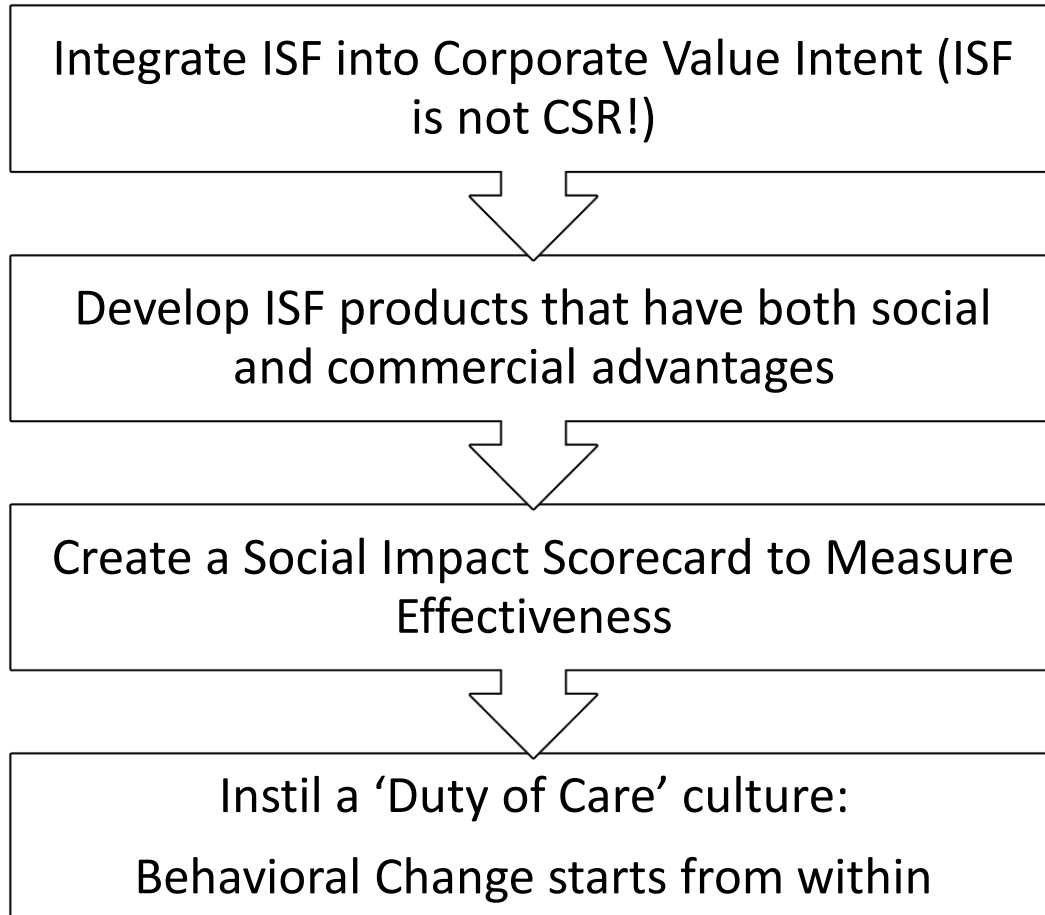
- Alternative Energy
- Energy Efficiency
- Green Building
- Climate Adaptation

Natural Capital



- Sustainable Water
- Pollution Prevention
- Sustainable Agriculture

Can Islamic Social Finance (ISF) integrate ESG in the Islamic Finance Value Chain?



Blended Enterprise Financing

Zakat Mobilisation for Guarantees and Asnaf entrepreneurial development

Waqf securitisation and development of Commercial Waqf Projects

Urban, Vertical, Aquaponics Funding

NMSE entrepreneurial development through finance training programs

Debt funds from ISF

Can Islamic Social Finance be the Elixir in achieving a faith and value-based Proposition?

Developing ISF Institutions through the support of enabling frameworks

Integrating ISF Solutions within Islamic Finance Institutions

Creating a Social Impact Scorecard

Move toward a Circular economy, Sustainable development goals and ESG, to get close to the Maqasid al Shari'ah.

Responsible finance and sustainability economics gaining ground

Requires a behavioral 'nudge' to achieve Islamic Finance ideals

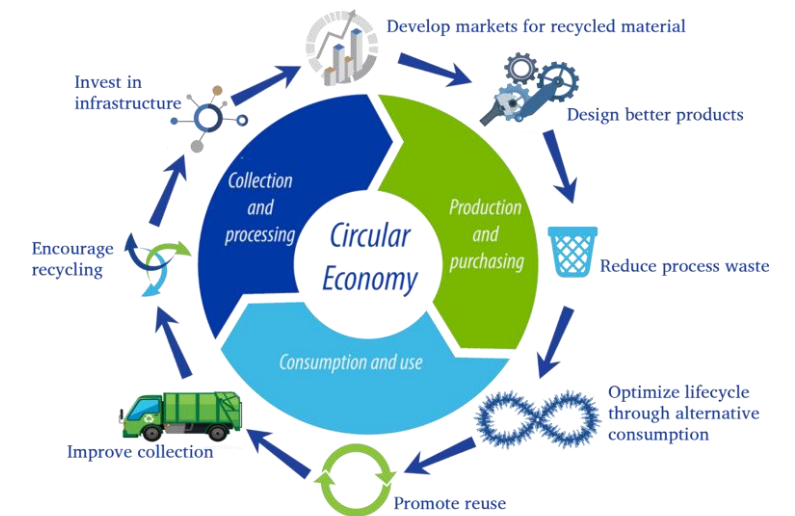


Image: Sustainable Global Resources Ltd.
Recycling Council of Ontario

VBI Successes - 2022



1 OUT OF EVERY 3 IBIS' DEPOSITS AND INVESTMENT ACCOUNTS ARE VBI-ALIGNED

Worth RM36.8 billion



1 OUT OF EVERY 10 FINANCING APPROVED BY IBIS ARE VBI-ALIGNED

Worth over RM94.2 billion



NEARLY 35,000 DESERVING FAMILIES NOW OWN AFFORDABLE HOMES IN OVER 190 PROJECTS.

Through almost RM20 billion more financing



OVER 1000 PUBLIC INFRASTRUCTURE ACCOUNTS SUPPORTED FOR BETTER LIVING STANDARDS

Through RM 24.1 billion additional financing



100,000 SMEs & Micro-SMEs supported

With over RM40 billion financing provided



4500+ more renewable energy & green projects to conserve our environment

Via more than RM8.8 billion financing



Nearly ½ (by value) and 2/3 (by portfolio) of COP members' investment portfolio are in SRI, SDG, ESG, green, renewable and similar VBI-aligned initiatives

Worth approximately RM24.6 billion



1800+ accounts in 450+ zakat, waqf, charities and sadaqah initiatives professionally managed

Worth RM190 million

Source: AIBIM VBI Report (2022)



Entrepreneurial Mindset

Customers

Aşnāf Micro SMEs, Micro SMEs, SMEs, Start-ups.

Banking Solution

i-TEKAD microfinance, a social finance initiative designed to promote entrepreneurship among B40 and aşnāf groups to start, sustain or expand their microbusinesses during the COVID-19 pandemic. It blends affordable micro-financing facility that ranges from **RM5,000** to **RM50,000** with social finance capital contribution that is sourced from zakat for acquisition of equipment or initial capital. The microfinancing is provided along with prerequisite business training. For the start, the programme is pioneered by the Bank through a collaboration with MAIWP and SME Corp and will be expanded beyond federal territories to other states like Perlis and Selangor with the respective implementation partners.

Impact

Allocated **RM5.0 million** from BNM's Micro-Enterprise Facility Fund towards microfinancing through iTEKAD, benefitting 81 recipients from a total disbursement of **RM1,483,000** as at 31 September 2021, of which 49 of the recipients also received social finance capital (zakat) amounting to **RM205,000**. Under this programme, all participants received training from SME Corp. business counsellors.

Banking Solution

BangKIT Microfinance, a one-of-a-kind financing solution that utilises donations, collected through the Bank's Sadaqa House, to create a zero-cost benevolent loan based on *qarḍ ḥasan* for unbanked entrepreneurs to start or to expand their businesses despite lacking credit records. BangKIT microfinance allows recipients to start familiarising themselves with bank borrowing of **RM3,000** to **RM20,000** at zero cost to build their business and establish creditworthiness to qualify them for future financing needs. Similar to iTEKAD, structured entrepreneurship training is provided to ensure business growth and sustainability.

Impact

A total of **RM1,089,000** *qarḍ* financing was disbursed through BangKIT microfinance as at 31 September 2021 to assist 102 borrowers. To ensure successful business ventures, the Bank and appointed changemakers provided business training and continuous monitoring to all participants.

Banking Solution

Targeted Relief & Recovery Facility (TRRF), a financing facility established by BNM that is offered by Bank Islam, as one of the participating banks, to provide relief and support recovery for SMEs in the services sector affected during the reintroduction of COVID-19 containment measures.

Impact

TRRF benefited over 450 recipients with SME financing disbursements of over **RM128 million** as at the end of December 2021.

Banking Solution

Go Halal SME Financing (GHF), a programme designed to facilitate registration of eligible SMEs as Halal Development Corporation (HDC) members in order to venture into the Halal industry, as well as embarking on digital transformation and improving capacity building. GHF is part of the initiatives offered under the Bank's Strategic Collaboration with the HDC.

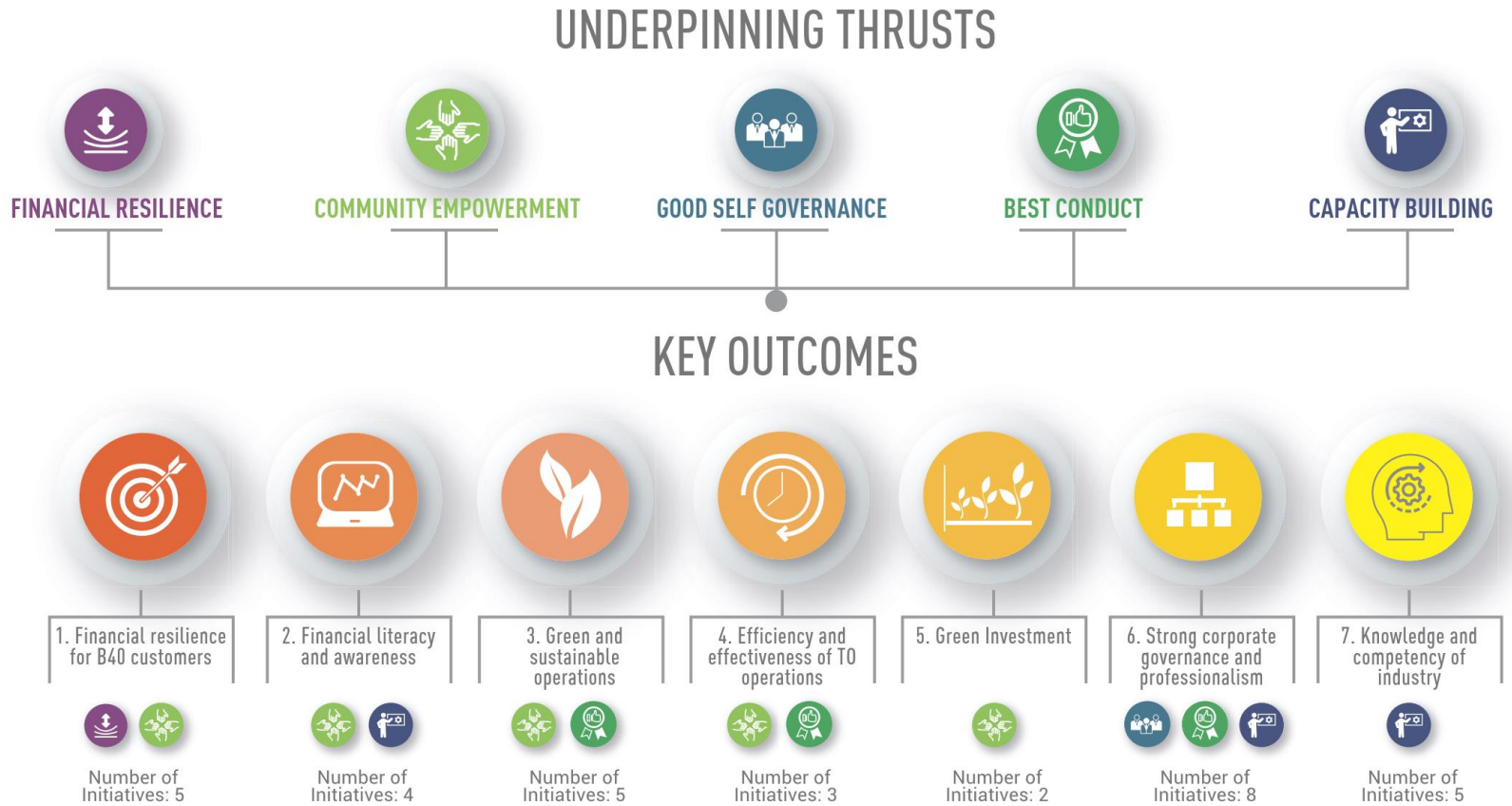
Impact

Received the Halal Financial Excellence Award at the World Halal Excellence Awards 2021 for, among others, the development of the GHF programme for Malaysian SME development.

Example:

Bank Islam and Entrepreneurial Mindset

Mapping out VBIT Implementation in Islamic Finance Value Chain

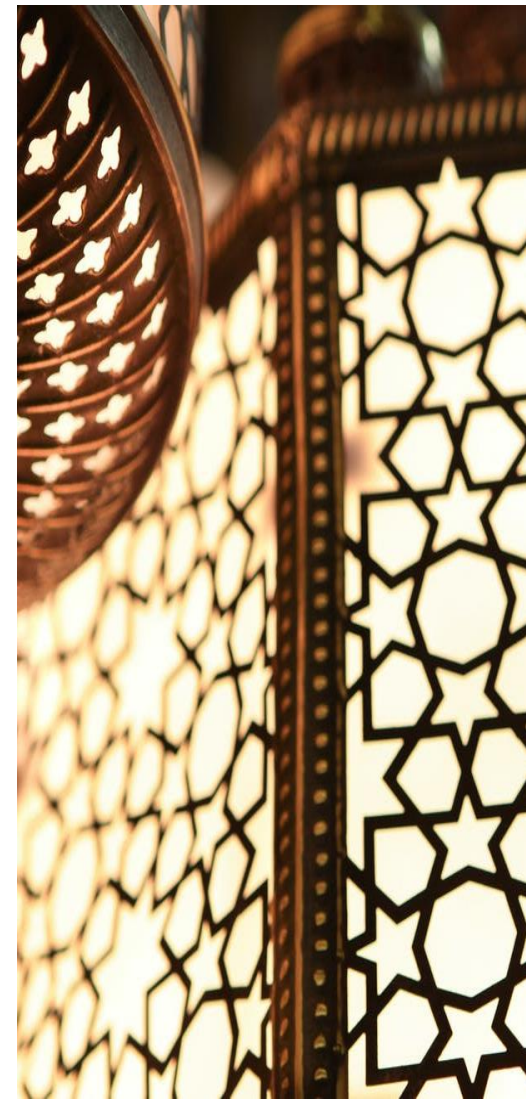


- VBIT Success depends on Key Indicators for measurability
- Impact features are in line with the national agenda for development and prosperity
- Risks of over regulation for values and sustainability exist, with the potential for greenwashing increasing, based on incentive, complexity of measures and disclosure
- Shariah Scholars, as Ethicists, must integrate more of the Maqasidic dimensions within decision-making to guide industry toward urgent, positive change



Summary

- Non-interest finance, investment and asset/life protection provide diversification, robustness and financial inclusion for all
- Non-Interest finance and economics has socio-economic empowerment as its primary goal
- Collaborative efforts within the IF Ecosystem will support both business and community more effectively
- VBI and VBIT boost Islamic Finance Value Creation through an organized and measurable roadmap
- IF Working Committees can help draft such synergistic roadmaps for the Nigerian market, for more harmonious and sustainable national growth





Q & A

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