

KEYNOTE ADDRESS FOR TAN SRI ABDUL WAHID OMAR
“STRENGTHENING ISLAMIC FINANCE TOWARDS SHARED PROSPERITY”
16th KUALA LUMPUR ISLAMIC FINANCE FORUM (KLIFF) 2020
9 MARCH 2021

Introduction

Yang Berhormat Finance Minister, Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz,
Excellencies, Distinguished Guests, Members of the Media,

Ladies and Gentlemen,

1. Let me begin by expressing my gratitude to the organisers for inviting me to speak at this Kuala Lumpur Islamic Finance Forum. Now in its 16th edition, KLIFF has become a hallmark event for the Islamic Banking and Finance industry, providing a platform to address pertinent issues and develop ideas and solutions in Islamic finance.
2. Please allow me to deliver my keynote entitled “Strengthening Islamic Finance Towards Shared Prosperity” in three parts:
 - i. Impact of COVID-19 and Shared Prosperity
 - ii. Strengthening Islamic Finance towards Shared Prosperity; and
 - iii. Bursa Malaysia’s commitment towards Islamic Finance.

Impact of COVID-19 on Shared Prosperity

Ladies and Gentlemen,

3. According to the World Bank, for the first time in 20 years, extreme global poverty is expected to rise as the disruption caused by the COVID-19 pandemic has compounded the negative impact of conflicts and climate change, which were already slowing the progress on poverty reduction.
4. With more than 115 million global cases of infection and more than 2.6 million lives lost, the COVID-19 pandemic is estimated to push as many as 150 million people into extreme poverty in 2021.
5. The pandemic has certainly affected the global economy with GDP contracting by 3.5% in 2020. The average global shared prosperity, defined as the growth in the income of the poorest 40 per cent of a country’s population, is estimated to stagnate or even contract over 2019 to 2021 due to the reduced growth in average incomes. Malaysia is similarly affected with its 2020 GNI per capita declining by 5.9% to 42,531 in 2020 from RM45,212 in 2019 setting us back by about 2.5 years.

6. The deceleration in economic activity intensified by the pandemic is likely to strike the poorest people hard, leading to even lower shared prosperity indicators in the coming years. Without policy actions, the COVID-19 crisis may trigger higher income inequality cycles, lessen social mobility among the vulnerable and lower resilience to future shocks to reverse this serious setback.
7. Economic development must not be seen to only boost economic growth but also share prosperity with all segments of society through equitable distribution of income and wealth. Only then can the well-being of all segments of society be improved, especially the poorest and most marginalised.

Strengthening Islamic Finance towards Shared Prosperity

Ladies and Gentlemen,

8. Islam strives to drive a balance between economic, social and environmental development, maintaining effective and efficient resource usage and encourages well-being as an essential aspect in terms of attaining sustainability.
9. Islamic finance, through its core principles, advocates for the just, fair and equitable distribution of income and wealth, drawing from the underlying principles of Shariah, which fundamentally advocates the attainment of benefits and prevention of harm.
10. The risk-sharing and asset based-financing nature of Islamic finance and its potential contribution to the growth and inclusive prosperity have considerable merit, particularly in light of the mounting evidence of the adverse effects of excessive debt and leverage on the economy. Similarly, capital markets through equity and asset-based finance can play a critical role in facilitating long term investment and reducing poverty by providing opportunities for the poor to build assets.
11. A well-functioning capital market not only improves the capital allocation in the economy but also enhances productive growth. Islamic capital markets can, therefore, make a significant contribution to achieving economic development and enhancing shared prosperity using the principles of risk-sharing and equity participation.
12. For example, equity-based investment in Shariah-compliant products and services promoting good socio-economic values facilitates responsible investments that generate social and environmental benefits alongside financial returns. This creates a win-win situation for investors, investee companies and society at large as reflected by Shariah indices having consistently outperformed their conventional counterparts over the last decade. Between January 2010 to January 2021 for example, the FTSE Bursa Malaysia Hijrah Shariah Index, comprising the 30 largest Shariah-compliant companies, has consistently outperformed the FTSE Bursa Malaysia KLCI (with substantial weighting by financial stocks), growing over 26%.
13. Beyond equities, Sukuk offers great potential for promoting shared prosperity because of its suitability for financing infrastructure, raising funds for new

businesses, encouraging entrepreneurship and supporting economic development. This includes the issuance of social and sustainable Sukuk to mitigate the health and economic impact as well as funding socio-economic recovery from the pandemic.

Ladies and Gentlemen,

14. Despite the challenging environment that affected the Islamic finance industry's growth in 2020, COVID-19 offers an opportunity to accelerate and unlock its long-term potential. The pandemic and various lockdown measures have led to the rapid growth in digital solutions to reach out to a broader audience and create a nimbler Islamic finance industry.
15. Higher digitalisation and fintech collaborations can help strengthen the industry's resilience and open new avenues for growth. For example, we are seeing Islamic fintech start-ups now offering digital mortgage platforms, wealth management and mobile applications. These include Wahed Invest, Qard Hassan, HelloGold and BEST Invest, to name a few.
16. Similarly, technology is also being increasingly used towards enhancing financial literacy through online webinars, classes and even conferences such as this KLIFF 2021. Many studies have shown the positive relationship between financial literacy and financial inclusion. Increasing financial literacy can certainly increase participation in the Islamic financial system, and the adoption of Islamic financial products and services.

Bursa Malaysia's commitment towards Islamic Finance

Ladies and Gentlemen,

17. Islamic finance is no longer a domain exclusive only to Muslims. It has grown to be a USD2 trillion industry and continues to receive strong interest as an avenue for fund raising and investment.
18. Malaysia's Islamic finance has much to offer, for we have a resilient financial system and innovative ecosystem including Bursa Malaysia-i, which offers faith-based investors a unique proposition and platform for Shariah-compliant investing. As of January 2021, 79% of listed companies on Bursa Malaysia are Shariah-compliant, with a market capitalisation of RM1.2 trillion.
19. Through Bursa Suq Al-Sila', our commodity Murabahah platform, the Exchange is able to facilitate entities and cooperatives such as Amanah Ikhtiar Malaysia to offer Shariah-compliant and cost-effective financing facilities to the underbanked communities.

20. To support the growing demand for sustainability, we will also continue to strengthen and broaden our Shariah-compliant offerings with the aim of increasing investors' participation and allow them to fulfill their social responsibility of contributing wealth towards economic growth and society's welfare. This includes using Islamic social funding instruments such as Qard Hasan, social Sukuk, Waqf and Zakat as a sustainable means for equitable distribution of wealth, to help companies and individuals economically affected by the pandemic.
21. On our part, Bursa Malaysia has pledged to contribute 1% of our profit after tax or RM3.8 million towards community projects that will positively change and benefit society. This is inclusive of the inaugural RM667,000 zakat payment.
22. We look forward to play our part further in strengthening Islamic Finance offering towards shared prosperity. On that note, I wish you all an insightful day ahead.