Malaysia paves way for the growth of Islamic finance

Environment to Grow, Prosper: It can be viable and attractive complement to conventional services

Malaysia’s success in the development and expansion of Islamic finance is undisputed. We are proud to have been a pioneer in many areas of Islamic finance.

Our efforts have been recognised internationally, with other countries emulating us.

These include, in meeting with my counterpart from Hong Kong at the recent Asia-Pacific Economic Cooperation (APEC) meeting, I was informed of the success of its inaugural sukuk issuance last month, which was oversubscribed by 3.7 times.

Its success was in part paved by Malaysia’s ceaseless promotion of Islamic finance.

We created an enabling environment for Islamic finance to grow and prosper. This we did by introducing supportive legislation, guidelines and most critically, having three important agencies—the Finance Ministry, Bank Negara Malaysia and the Securities Commission— that had, and I must say, still has, the zeal and enthusiasm to position Islamic finance as a unique value proposition for our financial services industry.

We continue to promote Islamic finance at the international stage as a viable and attractive complement to conventional insurance.

For instance, using the Islamic financial market as the vehicle to strengthen small- and medium enterprises (SMEs), the government will introduce a new syariah-compliant investment product called the Investment Account Platform (IAP) as announced in the 2015 Budget. IAP will be a platform for institutional and individuals investors to finance viable SMEs.

Other initiatives in the 2015 Budget include listing and trading of Malaysian Government Securities and Government Investment Issues in Exchange Traded Bond and Sukuk (ETBS) to boost domestic sukuk and bond issuance and trading, and extension of deduction for expenses incurred in the issuance of sukuk based on Baha’i and wakala principles, until year of assessment 2018.

Of course, such level of enthusiasm would have not come to any fruition if the financial services industry and the market had not come to the fore, taking on the challenge that the government put forth more than two decades ago.

While we have achieved this internationally-recognised success, I am here today to talk about the assimilation of Islamic values in our work ethics.

I personally believe that worldly success is not complete if we do not accompany it with a similar rise in Islamic values in the workplace.

For Muslims, everything we do must be in God’s way. In Islam, every single act of living is accounted for, whether at home or at work, it is well and good that we promote Islamic finance but we should also ponder on how far do we internalise Islamic values in our daily lives.

In this life, in the way we work, I believe that "anamah"—true—is the most important virtue. Amanah has a very wide meaning in Islam and is, in fact, central to our role as God’s idealistic earth. Central to the concept of Amanah is accountability honesty, transparency and perfection of action, Iqan.

The concept of Amanah makes our lives more meaningful because it gives us, as God’s vanguards, the responsibility of creating a moral social order.

In whatever capacity that we serve, we must serve it with the highest level of integrity. We may think that it is our employer who has given us our jobs but in fact, we owe our position, our income and our businesses to none other than Allah, the most beneficent.

This virtue of Allah we verbalise everyday, when we recite "Bismillahir Rahmanir Rahim"— "In the name of Allah the Most Beneficent, the Most Merciful".

All that we have, our material possessions and worldly position, are due to his kind generosity.

If we are constantly aware of this fact, we would not only be a little humble but we also be awed by the Almighty’s strength and, in turn, we will be more careful in the execution of our duties and mindful of our ethics and governance.

As we move into the high-income economy, it becomes increasingly important that we strive to adopt global standards and best practices in the management and governance of our institutions.

In this respect, I wish to refer to a recent study by a Georgetown University professor who claimed that Islamic values are more widely practised in non-Islamic countries than in Islamic countries.

In the top 10 are Iceland, Denmark and Luxembourg and New Zealand, all high-income developed economies. Malaysia was the highest-ranked Muslim-majority country, at number 33.

For these Islamic values are universal. Values such as integrity, accountability, transparency, equality, fairness and justice, as well as care for the environment and social welfare, are values that are appreciated and embraced by all civilisations.

As we progress into a high-income economy, we must be mindful that the effective determinant of a high-income economy does not merely rest on the value of our gross domestic product.

It would be wise for us to understand these Islamic values and see how we can apply these values into the fabric of our nation to embrace higher standards in everything we do and how we manage our economy and our country.

Islam requires us to practice Iqan. Iqan can be best described as the "effort to strive for perfection". This would mean that we must always strive for the most optimum and highest possible standards in all that we do, with the resources that are made available to us, with the Aqil, our intellect, which has been given to us by our creator.

Based on the concept of Iqan, we cannot accept mediocrity, nor are we allowed to be complacent. As a high-income country, we will progress materially, with average income increasing steadily in the years to come but we need to strive to ensure that the Islamic values, which I have earlier listed, are made more profound.

Many have asked me what are the benefits of having high-income status and my best answer is by adopting the concept of Iqan, by adopting universally-accepted standards across all sectors of public life, we will improve the quality of all Malaysians, not only in material terms, with all the conveniences of an advanced economy but the prevalence of higher standards of equality, access to economic opportunities and social mobility, without neglecting care for the underprivileged, the old and the infirm.
Malaysia needs to adopt Itqan in all areas

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Yes, our country practises the market enterprise capitalist system but we are aware that the Islamic view of economic transactions are quite different from those of classical Western economists.

The latter is only considered successful if the maximum profit is obtained at the least possible cost while in Islam, an economic transaction must be made in fairness and consideration of all stakeholders.

If an economic transaction degrades the environment or if it places members of the community in danger, the transaction may cease to be halal. All these considerations might not be applicable in a developing country, and the policy and decision-makers of the country might be exempted from their said obligations, as circumstances were not permissible and cost-prohibitive.

However, such an argument for a high-income economy can be thin. Malaysia needs to adopt Itqan across all spheres of national life, in policy and execution.

It is a country that assimilates Islamic values that are universally accepted, such as integrity, transparency, accountability, fairness and equality, which are applied for the benefit of its citizens.

I am the first to admit that yes, as a nation, we are a work-in-progress. We are, by many standards, a young nation.

But youth is no longer the luxury it once was.

If it took England 100 years to become an industrialised nation, it took us 20. The cycle of history is shorter now.

I hope I have given you sufficient seeds to sow within two days of this conference.

While the present government is putting in place a number of foundational structures, I do believe we have yet to have a definitive model for Malaysia as a developed country — in terms of politics, economy, law and social.

If we were to truly test ourselves and definitively depart from the established models prevalent in the West, models that essentially based on Greco-Judeo-Christian values, the next decades would be an opportunity for us to demonstrate the viability of a truly 21st century model of a high-income nation based on universal Islamic values and, Insha’Allah, serving as a beacon of example across the seven seas.

An excerpt from Second Finance Minister Datuk Seri Ahmad Husni Mohamad Harun’s speech at Bank Negara International Islamic Banking Conference 2014 at the Kuala Lumpur Convention Centre yesterday.