

COVID 19 AND THE ROLE OF ISLAMIC SOCIAL FINANCE FOR THE COMMUNITY

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POST EVENT REPORT



INTRODUCTION & PANELIST

Maybank Islamic is taking its own initiatives to create the awareness and promoting strong campaign focusing on Islamic Social Finance (ISF).

Pandemic Covid-19 has hit Malaysia and the whole world more than previous Asian Financial Crisis. Hence, certain action must be taken.

This webinar entitled " Covid-19 and the Role of Islamic Social Finance for the Community will brings a clearer picture on how IFIs and IBIs are able to alleviate hardships with its peculiar and authentic mechanism.

We brings our esteemed Shariah Committee members of Maybank Islamic to further explain the idea of Islamic Social Finance, its mechanism and impact to the society.



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Dr. Akhtarzaite Abdul Aziz

How Sadaqah and Microfinance can help to combat Covid-19?

Sadaqah is a compliment to Zakat and Waqf or a voluntary charity given to everybody which should be viewed as a perfect social enhancement tools, particularly to face this pandemic.

The element of Barakah in it is abundant. Prophet SAW said: *"The property of someone who give sadaqah will not decrease but in fact will increase (Barakah)"*.

In Al-Qur'an: *"Allah has cursed the riba practice and put a growth in the parctice of sadaqah"*

Sadaqah is Voluntary in Nature

Everybody can participate and no minimum restriction in the practice. In terms of flexibility, there's no requirement of property elements which can be in any kind of form compared to Zakat and can be distributed straight away.

Misunderstanding of Sadaqah

Most of people misunderstand Sadaqah for it is not waqf that considered as sadaqah jariah and perpetual hence, they are not interested on it. People cannot look into this aspect only as rewards from Allah SWT is uncountable.

Enhance Islamic Social Finance (ISF) funds

With existing structure and facility in banks, we can use our strengths to help people contribute to sadaqah fund.

In fact, many banks have already embarked on the social impact. For example, Deposit: contribute some of their return (income) for sadaqah. Hibah: declaration to contribute hibah to specific funds. Although Maybank has already implemented some of it but need to explore more using existing structure and strength.

Micro-finance

By definition: providing banking facilities for those who aren't eligible for normal financing. The fund given is not like other corporate (financing) or the collateral for SMEs.

The existing micro-finance is only being offered to certain segments of society. For instance, the business entity must already viable. In current situation, many has lost their jobs including salary being deducted as well as some were forcing to enter into business not by choice whereas the other might suffer from lack of capital, expertise and experience in their business.

Perhaps, by loosening the requirements for those who are applying for micro financing could be considered due to the current situation of pandemic so that it would benefit more people. We can also have variable fund like Sadaqah to proceed with this concept of microfinance.



DR. Azrul Azlan

Is there any potential for ISF to be facilitated by crowdfunding using technology such as E-wallet, Machine Learning, Robotic Progress automation, AI and so on?

Previously we have difficulties managing gap between people and technologies, but somehow Covid-19 had breached the gap.

The Usefulness and Ease of Use of This Technology

The competition of technology provider nowadays are more on the usefulness and easiness, not the price anymore. Some people are still in doubt on the Shariah compliance status for using e-commerce platform such as Shopee and Lazada. Despite of certain justification, I believe the consideration is very minimal with more discussion on the technicalities more than the fundamental and it is halal.

Maybank E-wallet is the first Shariah compliance E-wallet which is convincing to use and manage to avoid such Shariah issue. The introduction of Sukuk Prihatin as the first digital sukuk has shown how the technology can be leveraged for such mean. It comprises features such sadaqah, donation and hibah.

Waqf and Mosques

Example of waqf is the mosques that's being built through crowdfunding and will be rewarded as long as it is useful and the ROI for waqf is in hereafter. Apart from that, waqf also has economic value and can be used for both social and commercial purposes.

Waqf Hotel

The operator will lead the operation and the payment will be made to waqf trustees. The money can be used to help the needy as long as the lease payment remain still. The operator also may employ workers and they will get monthly salary and this can boost spending within society which will improve the wealth circulation in the economy. This can be indicated as multiplier effect.

There's No Race Limitation in Waqf

Even the scholars mentioned that waqf should not be limited to the muslim only, it should be open for all as Shariah ruling is very universal except for the worshipping.

Disclosure and Transparency

Among the problem when implementing waqf is that people want to know where the money has been spent for? Therefore how to control this?

Blockchain Solution

Blockchain technology can help people to trace their donation efficiently. Same goes to Zakat. This then may help Islamic council to manage the fund and data acquired through such process can be analyzed using the artificial intelligent, big data and so on.

Funeral Poverty

This situation happens in UK, European countries, African country where people don't have enough money to manage their funeral. However, we're quite fortunate as we have lot of scheme provided by local community like khairat funds.

We also may have funeral benefits that can be received from various channels. For example, if you're a public servant then you're entitled for funeral benefit, whereas if you're EPF account holder then you may as well get the benefit of funeral.

With these all then we can standardize and create a better system that can manage such things efficiently. However the fund might shrink if there's high reported death in a month, but this then will be a good opportunity for the ISF to get involve like we can further discuss and look into the micro takaful, leverage on the used of technology and even Islamic financial institution may play it role to help community in managing such funds.

**Assoc. Prof. Dr. Aznan Hasan**

Is there really a key study for the fact that Islamic social finance is the way to go for the Islamic banks? Leveraging based on latest technology, what Maybank Islamic has done for the community to combat COVID-19?

Islamic Social Finance Mechanism and Choices

There are a lot of mechanism that can be used for social finance purposes. It doesn't mean that one mechanism are better than others. Even the prophet pbuh once said that loan (qard) is much better than sadaqah. This is because the beneficiaries of sadaqah may not be in need but someone who ask for a loan is for sure very much in need of the money. Therefore, in this situation providing money for loan purposes is much more recommendable.

Waqf Factory Case Study

I was invited to a particular discussion at this one country. We come up with a suggestion to build a factory so that the poor can be employed using Waqf and Zakat fund. Through this they managed to get salary for every month and can afford to survive and carry on with their lives.

Proportion of Zakat and Waqf Money

It's time for the bank to look into a wider spectrum of society through Islamic Social Finance like what has been done by Maybank with Waqf Perak for example.

Banks Between Profit Making and Social Impact

No doubt that bank are profit making organization however bank can also deliver the element of charity. This not just going to help people but also bring more barakah.

Food Securities and Supply Chain

Our society at most are truly in need of food securities. Also the involvement of Muslim society in supply chain are not that very much. Hence, the instruments of ISF can be leveraged to address such issues.

Islamic Jurisprudence and Contemporary Issues

We have to understand that any ruling previously can be divided into 2 where the first one consist of principle and the second one on the application during that time, hence such application may suit to that time but not ours anymore.

Sheikh Abdullah bin Bayyah once said "The most flexible Islamic financial instrument is waqf" because if we consider all the hadiths, they are very limited because waqf is intended to be flexible. The only thing is that when the jurist were so confined as they talked about waqf is due to their surrounding on that time. For example, Imam al-Kasani when he talked about waqf, doesnt allow for istibdal as on that time there were lot of misuse of waqf hence such practice is not allowed at all. Same goes to when one of the Hanafi Scholars mention that "A Qadhi should not deal with Waqf issues except for Qadhi Jannah (who's in heaven)" becuae on that particular time, lot of Qadhi who actually ruling on Waqf for the purpose of benefitting themselves or their surrounding.

Using The Zakat Money as Qard

Suggest to open more for SMEs (bankable or not) to be used for the purpose of financing using appropriate underlying Shariah contract as to help people in difficulties.

Initiative

What we do can be divided into a lot of initiative, the first one is what I call a direct protection initiative, so we give food for example to asnaf, in term of health we provide PPE is necessary equipment to frontliners. A question arised, can we use the zakat money to pay token for them even though they are not rich they are not poor, they are, the students for example even though they are rich under term fisabilillah? I mean just put everything to throw everything on the on the table for our discussion for that we also provide some assistance for education study, we also disburse money to the program perumahan rakyat (PPR) terms of helping them, so we have either protecting of life, we have for the affordable houses, we have also for job creation, we also have programs for waqf in example, one to one with the contribution in Perak, the social deposit for example. I believe this social deposition bit bigger, we should make it well known to the public, how we put this particular account for them to contribute for the purpose of helping others, we should create, those whose just want to pay Zakat, Sadaqah, Qardh Hasan, tax should be able to give some incentive for those who give Qard Hasan instead of a gift, I loaned you money and bank can do financing

Qard Hasan can be open for the people to contribute, we put the supply in those blockchain and everything, so people can trace how the money issued, used in crowdfunding etc. So this creativity I believe need to be discussed further for us to understand on how to implement and establishing social finance. I believe if we manage to do that we able to convince people to look at social finance not only examine banks as profit making organization but profit making organization with social finance and social benefit.

DR AZRUL AZLAN

Q: What are the innovative instruments that could be developed in the array of Islamic finance for making it useful for Muslims and non Muslims economy to fight Covid 19 pandemic?

A:
Gini Coefficients

I think the most important discussion is about the inequality that people talk about the gini coefficients that gap between the rich and poor, so from this game actually we can use any instruments that we have, for example we have the zakat which the purpose is to reduce the inequality between the rich and poor so we can maximize zakat instruments and then we can combine and collaborate with other respective councils that for the authorities that manage the zakat.

Collaboration and Centralization

It is the main key as well as jurisdiction within sates. For example, when we want to develop Waqf the challenge is that it requires a lot of time before it can be executed. Therefore a proper plan is needed as to strategize the inefficiency of the system. Also the perceptions from public as many still dont understand and dont even trust on it.

DR AKHTARZAITE

Q: How Islamic banking finance has differentiated itself to provide more unique services than the conventional representative

A:
Enhance Islamic Social Finance Mechanism

To give the benefits to the people who are eligible, give help to selective segment of the society, not everybody because the impact is different to different people. We need to leverage more on our Islamic social finance and CSR, perhaps we can do a rebranding to the CSR funds focusing more to our niche area, branding, focus more Islamic social finance instead of CSR, subject to the incentive given.

Qard Hasan as microfinance

Especially for the microfinance because this will never be found in conventional, this is our features which also even before we cannot think of offering products Qard Hasan basis but now by having Islamic social finance, we should explore more on this and give those eligible people, from eligible segments of people over there in the society, by having this we could stand up more compared to conventional. So far many things have been done actually even before the pandemic and what more after the pandemic, from empirical study, what is actually the impact so far from the ISF. Maybe we can have a kind of study and publish this study, so how many people for example has already benefited from the essentials of Islamic finance.

DR AZNAN HASAN

Q: Why Islamic banking just focus on the Zakat and Waqf only in efforts to play the role of Islam social finance?

A: We're not just solely focusing on Zakat and Waqf only. There are few more on what we have besides these two such as Sadaqah and Qard Hasan but it was not so well implemented, we have to send synergize, make it more robust in term of the system, in terms of how for us to monitor and to present towards public.

Beyond Normal Banking

I believe moving forward Islamic bank should go beyond just being a normal banking as per conventional situation, so you don't expect the Islamic bank to become a charitable body, brothers, it won't work because you go to Kedai Mamak, you want to eat roti canai, it will not come free, OK you have to pay for that but this does not deny the fact that their Kedai Mamak may give some roti canai free for those in needs, but for those who were not in need, you don't expect them give you a discount roti canai, It's easy analogy hope this does not offend anybody for that matter. When you ask for financing, they will give normal financing and charges for normal people because that's what business is, but we may need to do more beyond just banking and conventional. It's not true that Islamic Banks charges more, for example, In case of default, the profit cannot be compounded, in case or moratorium, the profit cannot be compounded as well. It's not fair when it comes to Islamic Banking asking them to do charitable works.

It has to be proportionate, wasatiyyah in terms if Islamic Social Finance funds. Bank Negara looking towards VBI, Islamic Banking with ISF, Zakat institution with how to accelerate the collection and distribution of Zakat, operation system, the payment (real time calculation), with all those things coming into the picture, and working together. There's come problem with our people, which is competition whereas cooperation are much more needed at the time. How for us to transfer this specialty to other segments? We need to work together and stop commenting and show to people that it is really different.

DR AKHTARZAITE

Q: Many People are protecting their income from giving donation. Hence, the idea of ISF is less popular among the masses, this could be due to non fair income distribution happening, so do you think thorough education and what Allah swt and prophet say is enough to eliminate this fear? Second, how can Islamic Banks manage their risk arising from the use of Islamic Social Tools, bearing in mind that prior to covid 19, one of reasons why IBs avoid to lend to the unbankable sections due to their credit worthiness issues, therefore what change the banker mindset?

A: First, fear of people to share their income particularly in this situation in need for example, we have already talk from Shariah perspective, which is the concept of Barakah, especially for Muslim. As per non-muslim, the spirit of helping in Malaysia are very impressive. We believe what we give, we get back. ISF are not inclusively for Muslims for all other non-Muslim as well. Education of ISF are very important to give more understanding.

We should also enhance and make it a branding of Islamic Banking to do the ISF in a very structured and organized manner collectively with all IBIs.

Impact Studies

If possible then to show the benefits of ISF through studies, report of what we have done in the spirit of encouragements, when people saw the results, they will not be reluctant to be part of it whether muslims or Non-Muslims. IBIs can even offer Qard Hasan funds and the impact must be apparent so people can appreciate that.

DR AZRUL AZLAN

Q: We all know pandemic Covid 19 has turned back poverty clock, IFIs have put in place social mechanism to provide relieve, in your opinion, how effective have we been uplifting the weight of those affected people, and also the role of Mosques to help to poor especially in current situation, does bank cooperate with them?

A: We have a lot of initiative taken by all IFIs, to provide relieve for affected people as such B40s in fighting the pandemic. For example, we provide moratorium even though it's compulsory from regulatory point of view. Giving the moratorium, you are giving your right to the others, this is considered biggest initiative taken, also we have RnR, non-compounding profit to help the needy. On the other part, we have Zakat distribution, we put the priority to those who really affected by the pandemic, we didn't do promotion of that which may make people are not aware of it. The efficiency must always be improvised in terms of managing our initiative.

Most of them already taken good initiative in helping the needy, I once spoke to the mosques president at my place, their thought is to have as much money as they can collect and distribute everything and won't kept even one cents. The distributions is quite active. There's certain cooperation but limited and can be improved in the future. We can also introduce a new product as we have Khairat, Waqf, Open fund. As for Qard Hasan, it is a viable proposal because we are collecting money to give Qard to people, rather than they go to Ah Long and unlicensed institution, Mosques can play this role and don't charge the charges, while Banks can help facilitate that kind of funds. A lot of things can be done in collaboration of IBIs and Mosques for the sake of Ummah.

DR AZNAN HASAN

Q: As SC Chairman, what is the biggest challenges faced by Maybank Islamic during this pandemic? What about the controversial issues like employer paying zakat to employee, raising zakat to pay off financing debt, Zakat can be utilize as microfinance instruments, is there any legal statue or related legislation that enable for such solution to be implemented in Malaysia. Also, what is your experience in discussing this issues with Jabatan Agama.

A: Alhamdulillah, our initiative, proposals from committee, board of directors, shareholders have been taken seriously and there's no big problems internally. Our main challenges is when approaching the related stakeholders for us to do more, there's the challenges lies.

People don't understand the collaboration words, and when we want to introduce new things, widen the scope of Zakat, within ourselves we have big debate in Using Zakat for Qard hasan utilization. In terms of proposals, the boards and senior management are very helpful, in fact there aint any issues in there instead of calling people out there to collab with us.

Second question which related to the issues that I raised just now, some of them are still new. My master was on Zakat and it is my forte I can say, opening back all those notes and books, there's something we can utilize zakat to help people during this pandemic. From the time being, there's no legal division which talks about this particular issues, however on contemporary Waqf, there's certain state that allow this such as Perak, Terengganu but yet to be explored.

On Zakat, we have to look into Zakat law, collection, distribution and everything. In my opinion, the state council are very welcoming in term of discussing the matter, a lot of blame been put wasn't true, instead they are open to any suggestions and very professionals. We should help, put suggestion, solutions instead of blaming others. We also need to make people understand and aware. The stigma where all Zakat people are traditional is old minded already.

DR AKHTARZAITE

We have learned a lot from the session, example, to maximize the benefit of ISF through Waqf, Zakat and Sadaqah. In any circumstances, Allah swt also gave a silver lining, for example because of the current pandemic, it made us discuss about ISF like we have today.

DR AZRUL AZLAN

Let us change the perception and mindset, this is the right time for it. From economic point of view, people always talk about the unlimited want with limited resources, we must go back to the human principles and avoid from being greedy.

From ISF perspective, we should change this concept in which we are actually the Khalifah on Earth, help people and prepare for our next generation, be a good Muslim based on Qur'an and Hadith.

DR AZNAN HASAN

As a conclusion, this pandemic has affected many people in many segments, this is a very extraordinary event, and it requires extraordinary measures, we have to be creative, innovative in putting solutions to help people. It requires us to think in a bigger manner. Islamic Muamalat has been there for a long time already, and all of those scholars have put their thoughts in their, our role is to understand their rationale, solution and adopt it in this current pandemic. Hence, everybody should work together to present to people, regulator, banks, and help people in this particular extraordinary event. May Allah SWT ease our life and take away this pandemic in the near future, give us back our life as usual.

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