

**INAUGURATION ADDRESS
BY
HIS ROYAL HIGHNESS
SULTAN NAZRIN MUIZZUDDIN SHAH**

**AT THE
LAUNCH OF INCEIF UNIVERSITY NEW CAMPUS**

DATE: THURSDAY, 27 OCTOBER 2022

TIME: 2:30 PM

**VENUE: INCEIF UNIVERSITY, JALAN TUN ISMAIL,
KUALA LUMPUR, MALAYSIA**

Ladies and gentlemen,

1. As a proud honorand myself of INCEIF University – the global university of Islamic finance – it is truly a great pleasure for me to be here today with the INCEIF community for the launch of the new campus of our university.

2. I trust that these wonderful new surroundings will invigorate everyone here to scale even greater heights in their studies and research into Islamic finance. I believe this 1400-year-old financial system offers powerful solutions to a world in turmoil. A world seeking new ways to survive and recover from the seemingly incessant environmental and socio-economic shocks we now face.

3. Over the past four decades or so, Islamic finance has evolved from being a small, niche and faith-based market, to become an established and growing part of the global financial ecosystem. Its future is bright. But Islamic finance now needs to grow further, if it is to fully respond to the challenging global conditions. Despite the significant progress it has made – with growing reach and acceptance beyond its traditional customer base – Islamic finance has yet to attain mainstream relevance at a truly global level. This new campus, I believe, will help to inspire brilliant minds to achieve this global vision for the industry.

4. Now, the significance and timeliness of boosting Islamic finance in this way really cannot be overstated. The Government of Malaysia's *Shared Prosperity Vision 2030* report identifies Islamic finance as a key driver of Malaysia's economic growth.¹ Having taken the lead in the 1990s when the industry was in its infancy, the country must once again take charge of the second wave of the Islamic finance expansion. And for this rebooted 'Islamic Finance 2.0,' so to speak, an even greater emphasis must be put on the Environment, Social and Governance - or ESG - agenda.

5. Over the next decade, eight of the top 10 global risks identified by the World Economic Forum in its *Global Risks Report 2022*, are

¹ *Shared Prosperity Vision 2030* (Putrajaya: Ministry of Economic Affairs, Malaysia, 2019).

environmental or social.² Climate action failure, extreme weather events, and biodiversity loss, top the list. None of this is breaking news, of course. We have become all too familiar with such scenarios, and terms such as climate change, carbon footprints, and net-zero emission targets, entered our vocabulary decades ago. These are now slowly being translated into action by governments, by companies, and by individuals across the world. In seeking to make companies more accountable for the unintended consequences of their businesses, the ESG agenda holds much promise as a means of addressing the many social and environmental challenges our world faces today.

6. Of late, though, there has been growing criticism of the ESG agenda, with cynics discrediting its good intentions, and predicting weak outcomes compared to the strong claims that have been made. This ‘ESG-fatigue’ reflects the hard realities faced in attempts to balance social objectives with commercial considerations, and ethical concerns with financial priorities. In short, it is about idealism versus realism, and the latter, so far, has generally been winning out. That, I believe, is where Islamic finance has a fundamental role to play.

² *The Global Risks Report 2022*, 17th ed. (Davos, World Economic Forum, 2022).

7. Studies have demonstrated that ESG and Islam's own *Maqasid al-Shariah* approach have a high level of synergy in their fundamental principles and characteristics. Strikingly, a recent study found that, when markets were facing greater stress, such as during the financial crisis, high ESG-scoring stocks and Shariah-compliant stocks both performed relatively better.³ Given the closeness of Islamic finance to the ESG principles and agenda, it would be remiss of us, the proponents of Islamic finance, to accept the naysayers' predictions on ESG, without putting forward our own insights. In particular, we must advocate for Islamic finance's potential contributions in addressing the challenges faced by the conventional ESG investing space.

8. With its emphasis on inclusivity, and on facilitating investments with socially beneficial outcomes, the *Maqasid* approach encompasses the very essence of sustainable economic development. Investments made in accordance with the *Maqasid* – either by individuals or corporations and institutions – are based on a holistic view of human life. The aim is to preserve and promote the five to six core essentials of humankind, namely that of faith, life, intellect, lineage, wealth and the planet.

³ Blake Goud, *Integrating ESG and Islamic Asset Management* (London: RFI Foundation, 2021); Mohamed Eskandar Shah Mohd Rasid, Mansor H. Ibrahim and Blake Goud, *Islamic Finance – ESG: Synergies and Performance* (London: RFI Foundation, 2021).

9. Thus, businesses guided by the *Maqasid* approach must take on greater responsibilities beyond short-term profit-making for shareholders. As I called for recently, they must take into account the needs of all their *stakeholders*.⁴ These include shareholders, employees, and business partners, as well as communities, society and the environment. This contributes, in turn, to long-term value creation, which is at the very heart of a sustainable stakeholder economy. Islamic finance in fact has been operating and thriving for centuries under the principles only recently set out in the ESG agenda. Islamic finance is therefore uniquely poised to take the lead, to demonstrate just how successful this holistic, stakeholder-centred approach can be, to companies and financial institutions currently struggling to incorporate the ESG into their ways of working.

Ladies and gentlemen,

10. Given our track record of global leadership in Islamic capital markets, Malaysia is well-positioned to continue to innovate in this space. By doing so, we can further boost the profile of our Islamic finance industry. We have already made great headway in incorporating ESG considerations into the business practices of

⁴ Sultan Nazrin Shah, 'Shaping a Stakeholder Economy for the Islamic Capital Market', Special Address at the 13th SC-OCIS Roundtable, Oxford (10 September 2022).

companies, and the investment considerations of financial service providers. Our regulators, industry players, and research institutions – like INCEIF – have all helped to champion ESG in the Islamic finance industry. As new ESG requirements have been introduced, these stakeholders have provided regulatory and supervisory support, leading on product development and other strategic initiatives.

11. However, we need to elevate our efforts to compete at the global level, if we are to demonstrate how Islamic finance can serve the needs of the wider financial markets and the global economy.

12. To make Islamic Finance 2.0 a reality, therefore, we must also strive to be more authentic to the true spirit of Islamic law, the *Maqasid*. While we work hard for prosperity, we must equally be focused on doing good by the people and the planet. So, how can we interpret and articulate this traditional, sacred framework, into practical, measurable and trackable solutions to address today's disruptive shocks? How can we ensure that the *fiqh*, the jurisprudence of Islam, has caught up sufficiently with the rigorous requirements of modern-day finance? These are questions which, I have no doubt, many of you gathered here today will ask and answer in this brilliant new campus.

13. And, as you explore these questions in your future studies and research, I urge you to consider this: to fulfil the *Shariah* authentically, and to manifest the aspirations to achieve these goals in reality, we have to go beyond what is simply *Halal*, to achieve something closer to *Tayyib*. The word '*at-tayyib*' appears many times in the Qur'an and Sunnah. It is used, among other meanings, to describe good people, good deeds, good actions and even good speech. Its literal meaning is 'something wholesome or good' or even 'pure'. As expressed in a famous Hadith: 'Verily Allah the Exalted is pure (*at-tayyib*). He does not accept, save that which is pure'.⁵

14. So instead of stopping at what is strictly permissible or in compliance with fundamental *Shariah* parameters, we must aim for *Tayyib*: we must go beyond the minimum, to invoke deeper purity and wholesomeness. A product may be labelled *Halal*, but does it give such value to the wider economy and society that should earn it a *Halalan Tayyiban* stamp? As you go forward, I urge you to strive for this highest standard for the Islamic finance industry. For if you do, I have every faith that not only the industry, but also the global community, will benefit.

⁵ Related by Muslim.

Ladies and Gentlemen,

15. By way of closing, I am delighted to note one of the brilliant ways in which INCEIF has recently contributed to innovations in this Islamic finance space. Co-organised by INCEIF and Lembaga Zakat Negeri Kedah, the recent 16th *Muzakarah Cendekiawan Syariah Nusantara* saw Shariah scholars, industry practitioners, and academics gather together to tackle the issues of the day from theological and operational perspectives. By encouraging thinking beyond existing and fundamental parameters, over the years, this Muzakarah series has led to the development of innovative Islamic financial products, using market-based experience.

16. One of the innovations highlighted in the recent Muzakarah was the Rent-to-Own (RTO) product known commercially as HouzKEY. Introduced by Maybank Islamic in 2018, this innovative home-financing scheme uses the Islamic *ijarah* (rent) and *bay'* (sale) contracts to enable young first-time buyers to own their own affordable homes after a five-year rental period. Affordable home ownership is a growing concern, particularly for the younger generation, for whom rising prices and few good employment opportunities can make buying a home seem like a distant dream. Responding to this great social need, the recent Muzakarah recommended the development of a macro solution, utilizing Islamic

social finance instruments, to enable more young people to own affordable homes. This is just one example of how INCEIF is contributing to the ideas and conversations that provide *Maqasid*-driven, real-world solutions to the challenges we face today.

17. Let all of us continue to strive for this goal. Let us be among the band of people inviting all that is *Tayyib* and good, enjoining what is right, and forbidding what is wrong. Let us empower leaders at all levels to drive the *Maqasid*-based ESG strategy, embedding genuine *Maqasid* and ESG commitments into the operating models and structures of their respective organisations.

18. Even as we advocate for financial reform in the conventional global economic space, there is most certainly an urgent need for Islamic finance to play its part in healing the world. And I believe that this new campus can be the beating heart of that mission.

19. In the name of Allah, the Most Merciful, the Most Gracious, *Bismillahirrahmanirrahim*, I now declare INCEIF University New Campus officially open.