

Muhammad bin Ibrahim: Developments in the global Islamic finance industry

Remarks by Mr Muhammad bin Ibrahim, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the International Shari'ah Research Academy for Islamic Finance Alumni Hi-Tea, Kuala Lumpur, 5 September 2017.

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I would like to thank ISRA for inviting me to this event with alumni of various nationalities and to deliver some remarks. We take pride in knowing that you have been enrolled to pursue studies in among the world's leading universities in the field of Islamic finance and Shariah such as the International Islamic University Malaysia and Yarmouk University in Jordan.

I believe that with the knowledge and competencies gained, you will now have a deeper understanding and appreciation of the fundamental importance of Shariah in Islamic finance. This deeper understanding and knowledge of Shariah matters serve as a springboard for you to play a meaningful role in the future development of the Islamic finance industry.

Role of the alumni in developing the global Islamic finance industry

Globally, Islamic finance has been making headways as it makes its presence felt. Many jurisdictions have offered Islamic finance as part of their banking system's products and services. This is good progress. But Islamic finance should not be looked upon as a value proposition only for the Muslims. This thinking, in my view, is regressive. Islamic finance is for all. It incorporates universal concepts and values that cater to all and sundry. An important distinction that is worth reminding.

As Islamic finance progresses, it will encounter many new challenges. Many of these challenges will be unprecedented and will vary from one country to another. It is from this perspective that as a collective, we need to collaborate even more closely to resolve some of the problems and bring Islamic finance to become an inherent part of society.

Whatever we do today, will determine the shape and direction of the industry. For many of you who will become future thought leaders in Islamic finance, take the many opportunities that will come before you, to sharpen and deepen your skills and knowledge. Collaborate, respect and embrace each other's views on various matters, no matter how far apart you are in your opinions. Celebrate diversity of views. Avoid polemics that trivialise issues. Debate and discuss the more important matters that concerns the ummah. Think, dig deeper and be innovative in approaching problems and solutions. Look at substance rather than form. Let's not be argumentative. Let's not get trapped into matters of no significance. Let's practice and live the norms and the values that led to the glory days of many civilisations.

You are a privileged group. As members of a highly diverse and global group of scholars, you are well positioned to make a difference to the world through Islamic finance. Since its inception in 2006, 86 recipients from 20 countries have been awarded the Shariah Scholarship Award. Right now, we have 40 recipients from 12 countries. Given such diversity with global orientation, it is only fitting to label this programme as the ISRA Global Scholarship. Our aspiration is that this programme will continue to grow and makes a difference. We aspire that ISRA Global Scholars are acknowledged as potential game changers for the industry and a product of a highly rigorous selection process.

Ideas to further contribute towards the industry's transformation

I would like to raise three issues for your consideration as alumni of the Shariah Scholarship

Award.

First, continuously push and expand the frontiers of knowledge in whatever role you are in. As scholars, we know intimately the importance of knowledge and research. Research is where breakthrough thinking should originate, especially in the area of applied research that is solution-driven and industry-related. But this will necessitate us to develop a greater understanding on the real issues facing the industry. It also necessitates us to learn other disciplines as well, just like the great scholars of yesteryears that venture into other areas of studies. They became very innovative because of the varied disciplines. Only then, are we able to develop practical and cost-effective solutions.

For example, most Islamic Finance industries around the globe are still domestically oriented and a majority of them still engage in consumer credit and simple form of banking products. If Islamic Finance were to expand we need to go beyond these domains. Scholars and researchers need to think through what it takes to internationalise the industry, how to enhance cross border transactions of Islamic Finance services or how products could be structured to meet the sophisticated needs of the economy.

Second, broaden your worldview to think about all issues surrounding the ummah, not just those directly within the realm of Shariah and Islamic finance today. We now see many traditional sectors ripe for disruption, with incumbents blindsided by new technologies and new business models. Islamic Finance will not be isolated from these rapid changes.

The Islamic finance community must be innovative and competitive to fulfil the needs of Islamic Finance users and ensure products and services offered remain relevant. That would entail understanding issues faced by society at large. Some of the most critical issues confronting the economy and society all over the world include accessibility to affordable housing, quality of living standards, and better avenues to good healthcare and education. How could Islamic finance and Shariah scholars contribute towards solving some of the problems in the real world? How should Islamic finance position itself to become the preferred solutions providers on issues faced by the real economy and society?

Third, start “walking the talk”. As scholars, you will have plenty of ideas about how to make the world a better place. I call on you to translate these ideas and proposed solutions into concrete actions. We have enough of polemics and preaching. You will likely need to work with others to make this happen. Therein lie my earlier point that I alluded, that we need to create a culture of greater collaboration and respect between the world of academia, regulators and industry players. My hope is that applied research and the development Islamic finance becomes mutually-reinforcing, a “virtuous circle”, where extensive research translates itself into great solutions which can then be used to propel Islamic Finance to a new level of excellence. But it will require us to strengthen the linkages in transforming research insights into practice. You can do your part in promoting this close association through active engagements with the industry or by being a member of working groups to look into specific areas with the regulatory authorities.

Conclusion

I certainly hope you would find time to reflect on your past, and to think about what you could contribute for Islamic finance and the ummah in the future. You were once ISRA scholarship-holders, but even as you enter a different phase of your career, you continue to remain life-long scholars. Continue to pursue the love of knowledge, and use it to make the world a better place.

Let me conclude this remarks by quoting a hadith; “He who introduced some good practice in Islam which was followed after him (by people), he would be assured of reward like one who followed it”. (Narrated by Sahih Muslim).