

Abdul Rasheed Ghaffour: Optimizing impact from Islamic social finance for poverty alleviation - models and way forward

Special remarks by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the World Bank-International Center for Education in Islamic Finance (INCEIF) High-Level Roundtable Discussion, Kuala Lumpur, 4 May 2026.

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It is a pleasure to be here this morning. Let me begin by thanking the World Bank Group, INCEIF University, the Centre of Excellence for Islamic Social Finance and ISRA Institute for bringing us together for this important discussion.

I would also like to acknowledge Ms Judith Green and Professor Emeritus Dato' Dr. Mohd Azmi for their leadership, as well as their continued cooperation and contributions in advancing the agenda of Islamic social finance globally. Ms Judith, thank you for your continued partnership and leadership in advancing this important agenda.

The breadth of institutions represented here - Majlis Agama Islam Negeri, zakat and waqf institutions, ministries, financial institutions, academia, and international partners – reflects both the strength of our ecosystem and the responsibility we share.

At its core, Islamic social finance is about people. It is about dignity, opportunity, and the ability for individuals and families to move forward with confidence. The instruments we often speak about-zakat, waqf, sadaqah, qard-are not ends in themselves. They are means to achieve the objectives of Shariah, to protect and uplift lives, and to create a more just and balanced society.

Malaysia is fortunate to have a well-established foundation in this space. Our zakat and waqf institutions are structured, our governance frameworks are evolving, and there is strong commitment across both public and private sectors. Yet, we must also recognise that the challenges we are addressing today have become more complex. Rising living costs, income pressures, and broader global developments are affecting households and communities in ways that require more than incremental responses. These realities remind us that resilience is not only about macroeconomic stability, but also about how effectively support reaches those who need it most, and, more importantly, how it meaningfully transforms their lives.

This brings us to a simple but important reflection: While assistance has reached many, the outcomes are not always as enduring as we would hope. Support is often provided at different points, by different institutions, with different objectives. But these efforts do not always come together as a coherent journey for the individual. As a result, we see cases where vulnerability is temporarily alleviated, but not necessarily resolved.

Moving forward, the focus must shift from individual or siloed interventions to integrated outcomes. The question is not only how much we disburse, but whether we are

enabling sustained improvement in livelihoods. This requires us to think of Islamic social finance not as a collection of instruments, but as a connected system that supports individuals from vulnerability towards resilience and, ultimately, independence.

Encouragingly, we are already seeing this approach begin to take shape. There are growing efforts to link social finance with entrepreneurship, employment, and financial protection. One example is the "iTEKAD" initiative.

It began as an initiative to support microentrepreneurs through a combination of social finance, financing, and capacity building to help small businesses grow. It has since expanded to include protection, recognising the importance of resilience in the face of income shocks, and more recently, employment pathways that support access to more stable sources of income.

Initiatives like this demonstrate how social finance, when combined with financial services and real economic opportunities, can contribute to more lasting outcomes. Achieving this at scale will depend on how well the ecosystem comes together, Zakat institutions, particularly the State Islamic Religious Councils, play a critical role in addressing immediate needs and safeguarding trust.

Waqf offers the potential for long-term, sustainable solutions that benefit communities over generations. In this space, it is worth to explore innovative instruments such as cash waqf linked-sukuk to more effectively mobilise philanthropic and market-based capital. Financial institutions, including Islamic banks, bring the ability to extend services at scale, supported by financial expertise and delivery capabilities. Government agencies set a clear direction and ensure alignment with national priorities, while academia and research institutions contribute insights and innovation. The opportunity lies in how these roles are connected.

We are already seeing stronger collaboration between State Islamic Religious Councils and financial institutions, and these partnerships have enhanced the reach and effectiveness of social finance efforts over time. The next step is to deepen these linkages-so that support is not only well-intentioned, but also well-designed, sequenced, and sustained.

When assistance is delivered with a clear pathway forward, and when interventions are coordinated across institutions, the impact can be significantly amplified. This is where collaboration moves from being a good intention to becoming a powerful level for effective execution.

Bank Negara Malaysia's role in this ecosystem is to facilitate and enable these connections. We aim to ensure that the policy and regulatory environment support innovation in Islamic social finance while maintaining trust and integrity. We also place emphasis on strengthening linkages between social finance and the formal financial system, so that recipients of assistance are not left at the margins, but are able to transition into economically active participants. Equally important is the role we play in convening stakeholders, creating platforms for dialogue, and supporting efforts that encourage coordination across institutions.

As we consider the way forward, governance and accountability will remain central. Trust is the foundation of Islamic social finance. It requires clarity in how funds are mobilised and deployed, discipline in how outcomes are measured, and transparency in how impact is communicated. Strengthening these elements will not only improve effectiveness but also reinforce public confidence in the system.

Ultimately, success should be measured by outcomes that are visible and meaningful. Fewer households remaining dependent on repeated assistance. More individuals able to sustain livelihoods and build financial resilience. Stronger communities that are better equipped to withstand economic shocks. These are the outcomes that reflect the true spirit of maqasid al-Shariah – not merely to alleviate burdens, but to empower lives.

We already have many of the key ingredients in place - institutions, resources, and commitment. The task before us is to bring these elements together in a more deliberate and coordinated manner. This requires a shared understanding of what success looks like, and a willingness to align efforts towards that common goal.

I hope today's discussion will provide an opportunity not only to exchange perspectives, but to identify practical steps that can strengthen the impact of Islamic social finance in Malaysia. More importantly, I hope it reinforces a collective commitment among all of us to work more closely, to innovate where necessary, and to ensure that our efforts translate into lasting change and is received as a form of worship.

Thank you.