

**EMBARGO : Tidak boleh disiarkan atau diterbitkan sebelum
Jam 10.30 pagi, 7.12.2019**

**ACCEPTANCE ADDRESS
BY
HIS ROYAL HIGHNESS SULTAN NAZRIN SHAH
AS THE RECIPIENT OF AN HONORARY DOCTORATE IN
ISLAMIC FINANCE
AT
INCEIF'S 11th CONVOCATION
DATE: SATURDAY 7th DECEMBER; TIME: 9am
VENUE: INTERCONTINENTAL, KUALA LUMPUR**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

Chancellor, distinguished guests, ladies and gentlemen and, most especially, graduands of INCEIF 2019:

1. Let me begin by thanking you, Chancellor, on behalf of your Council, for conferring upon me this academic honour which I'm delighted to accept. During her tenure as Governor of the Central Bank, Tan Sri Dr Zeti Akhtar Aziz kindly invited me to serve as the Financial Ambassador to the Malaysian Islamic Finance Centre (MIFC), and later as Royal Patron, a role I was very happy to take on. Through this position, I had the opportunity to learn much about Islamic finance, and I have come to realize its profound significance on the global stage. I am exceedingly grateful to you, Chancellor Zeti, for the role you played in introducing me to this vibrant and vital field.

2. As (by now) a long-time believer in the global importance of Islamic finance, it is truly an honour to be made an honorand of INCEIF, the global university of Islamic finance. And what a pleasure it is to be receiving this honorary doctorate on the same day that so many brilliant scholars, gathered here, will be graduating from INCEIF with PhDs, Masters and other very hard-earned qualifications. May you all treasure the moment of your graduation today. You have all worked exceptionally hard for this, and you and your families and loved ones deserve to be immensely proud of what you have achieved.

3. The distinguished economist John Maynard Keynes once said, "What I have to say is intrinsically easy, it is only to an audience of economists that it is difficult".¹ Standing in a room full of experts in the field, I think I perhaps have some inkling of how he felt! But I would nevertheless like to take this opportunity to say something about the situation of Islamic finance today – the incredibly positive progress that has been made, and the important work still to be done.

¹ From Keynes' lecture given in Stockholm in 1936; see Gordon A. Fletcher, *The Keynesian Revolution and Its Critics: Issues of Theory and Policy for the Monetary Production Economy* (New York, NY: Palgrave Macmillan, 1987), 32.

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4. As all of you will no doubt be aware, the Islamic finance industry has experienced unprecedented growth and development over the past three decades or so. The industry has demonstrated not only resilience – for instance, during the financial crash of 2007-2008 – but also incredible dynamism, evolving to meet the rapidly changing requirements of the modern economy. This is true especially when compared with conventional banks, both in jurisdictions with a significant presence of Islamic finance, and in the United States and the European Union. Within the past two decades, of course, we have witnessed nothing less than the establishment of a university dedicated to the study of Islamic finance! This is, without doubt, a mark of the sector’s growing prominence and importance on the international stage.

5. As Islamic finance continues along this exciting path, we are now venturing into new frontiers to bring greater value to the economy, to society, and to the environment: the so-called “Three Ps” of planet, people and prosperity.

6. And as soon-to-be graduates in Islamic finance, I must emphasize to you today that there is still so much work to be done in these three key areas. In fact, I believe there is more work to be done than ever before. Even a brief glance at the daily news headlines will tell you that our planet is in the grip of an extreme climate crisis. A “climate emergency” has actually been declared by the governments of countries such as Canada and the United Kingdom. The global temperature is rising due to greenhouse gas emissions, which in turn means melting ice caps, rising sea levels, and a devastating loss of biodiversity. Some leading climate scientists have estimated that we have as little as 18 months to take action before the damage becomes irreparable. The welfare of our planet is certainly an area in which we must take immediate action.

7. As for the second “P” – that of “people” – the United Nations High Commissioner for Refugees (UNHCR) reports more displaced persons in the world now than at any time since the end of the Second World War. We are witnessing huge movements of people due to conflict, persecution, and hardship. By 2030, an estimated 80% of the world’s extreme poor will live in areas defined as fragile – the majority of which will be Muslim-majority countries, or states with significant Muslim populations.

8. And this brings me to the third key area to be targeted, which is almost inseparable from the previous two: that of “prosperity”. For at present, indebtedness is high, inequality has widened, and there are substantial funding shortfalls, both in addressing the hardships of people in need, and also in protecting the planet. In 2016, a high-level panel commissioned by the UN Secretary-General estimated a humanitarian financing deficit of US\$15 billion – and the gap is widening each year. Last year, only 58.5% of requested humanitarian funding needs were met. Meanwhile, the gap in financing the United Nation’s Sustainable Development Goals – the UN’s “blueprint” for a more sustainable future for the planet and its people – is estimated at around US\$2.5 trillion annually. The need for a better, sustainable system is therefore becoming even more imperative, given the profound complexity of these global challenges, and the urgent requirement for innovative solutions.

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Chancellor, distinguished guests, graduands:

9. It is my belief that Islamic finance has the potential to make a significant – even vital – contribution to redressing these serious shortfalls. At its core, Islamic finance is based on principles that emphasize, among other objectives, equitable risk-sharing and inclusiveness. It also requires Shariah-compliant transactions to be based on real, productive assets. All of these principles promote fiscal responsibility and sustainability, meaning that the industry is well-placed to withstand economic turbulence and provide reliable, long-term solutions to alleviate poverty as well the climate and humanitarian crises.

10. But as well as having the practical potential to make a difference, Islamic finance also has, more importantly, a spiritual imperative to do so. Islamic finance is rooted in the *Maqasid Shariah*. The Shariah laws which govern it are designed to protect both the individual and the community, and to improve the life conditions of mankind. Allah *subhanahu wa-ta'ala* says: “We have not sent you (O’ Prophet) but as a mercy to all the worlds”.² What this means is that the guidance of the Qur’an, and the Sunnah of Prophet Muhammad *sallallahu ‘alayhi wassalam*, are intended for the benefit of all life on earth: people, animals, and even the natural environment. Thus, Islamic finance should be directed towards addressing the major challenges that face our planet and its people today: you could say that this is its *raison d’etre*, its spiritual purpose.

11. It is not just Islamic finance, of course, that must step up to address the economic, social and environmental crises of the present. On the global economic stage today, capitalism at large, it seems, is being “reinvented”. It has become increasingly evident that the dominant model of “shareholder capitalism”, with its relentless pursuit of profit above all else, is no longer sustainable, and is not serving the needs of the global population. More investors – institutions and individuals – want their money to be invested sustainably, or in order to make a positive impact. There is a growing social-impact consciousness, particularly among the millennials and Generation Z, which means that they want to support institutions that are making a meaningful impact on the planet, people, and prosperity, and are not solely focused on profit. What is needed, then, is a financial system in which the private sector takes greater social responsibility and lives up to civic-minded ideals: a system of “stakeholder capitalism”, in which private corporations are positioned as the trustees of society, and are held to account for transparency, fairness, and the promotion of social good.³

12. Given its own ideals and social objectives, it seems only fitting that Islamic finance should play an important part in contributing to this process of “reinvention”, from shareholder to stakeholder capitalism. Strikingly, the notion of stakeholder capitalism is already, independently, moving towards many of the elements of Islamic finance, emulating its principles of risk-sharing, inclusiveness, and more secure, reliable investment models.

13. Indeed, there are many, tangible ways in which the Islamic finance industry is already helping to generate a more socially conscious and sustainable economic system. The traditional instruments of Islamic finance, such as *waqf* and *zakat*, are being effectively utilized

² *Surah al-Anbiya*, 21:107.

³ Klaus Schwab, “What Kind of Capitalism Do We Want?”, *The Edge Financial Daily* (2 December 2019).

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and targeted towards the needs of the modern world. For example, last year, in 2018, the International Federation of the Red Cross and Red Crescent Societies (IFRC) used *zakat* monies to fund a drought-assistance programme in the Kenyan county of Kitui, pioneering a sustainable humanitarian *zakat* initiative. This programme provided clean water to 175,000 families, and also generated a financial return of around US\$20 million through crop-growing, exemplifying a key principle of Islamic social finance: namely, that giving should go beyond short-term charity, and be implemented in smart, effective ways to ensure inclusive participation, risk-sharing, and sustained socio-economic impact. This fulfils the wise advice of that famous proverb: “Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.”

14. I understand that there is also an Islamic social finance project being developed here at INCEIF’s Research Management Centre, called SuduNest, which will establish a cash *waqf* to help micro-SMEs grow their businesses, by having collective Halal certification through a central kitchen for their food products.

15. I first spoke back in 2017, meanwhile, about the incredible overlap that exists between the UN’s Sustainable Development Goals and the teachings of the Qur’an.⁴ To this end, a number of Socially Responsible Investment (or SRI) *sukuk* have been established in recent years, which simultaneously uphold Islamic teachings and pursue the aims of the SDGs. I am particularly proud that the world’s first ever green *sukuk* – supporting environmental projects – was issued here in Malaysia in 2017, with four others issued since, bringing the total amount raised to-date to around US\$580 million.

16. We can see in these and other similar examples the seeds of a solution to the challenges facing our planet and its people today: a solution guided by the principles and driven by the mechanisms of Islamic finance. Our challenge now is to keep moving in the direction of progress, in support of a brighter economic future.

17. Indeed, that is why I am truly so grateful for this honour of being inducted into INCEIF, the global university for Islamic finance. There is, as I have said already, much more work still to be done. The world is in desperate need of a more sustainable, responsible financial system that promotes social and environmental concerns, and Islamic finance must step up to meet this need. And who better to innovate, propagate, regulate and advocate for Islamic finance than those of us assembled in this hall today? That is the responsibility which I humbly accept along with the honour of this recognition this morning, and I am optimistic about the fact that each one of you here will be doing the same.

Thank you.

⁴ Sultan Nazrin Shah, “Realizing the Sustainable Development Goals through Islamic Finance”, Royal Address at the Dinner to Celebrate the 20th Anniversary of Bank Negara Malaysia’s Shariah Advisory Council, Kuala Lumpur, Malaysia (12 December 2017).