

PRESENTATION 2: BRIDGING THE HALAL LITERACY AND ISLAMIC FINANCE LITERACY

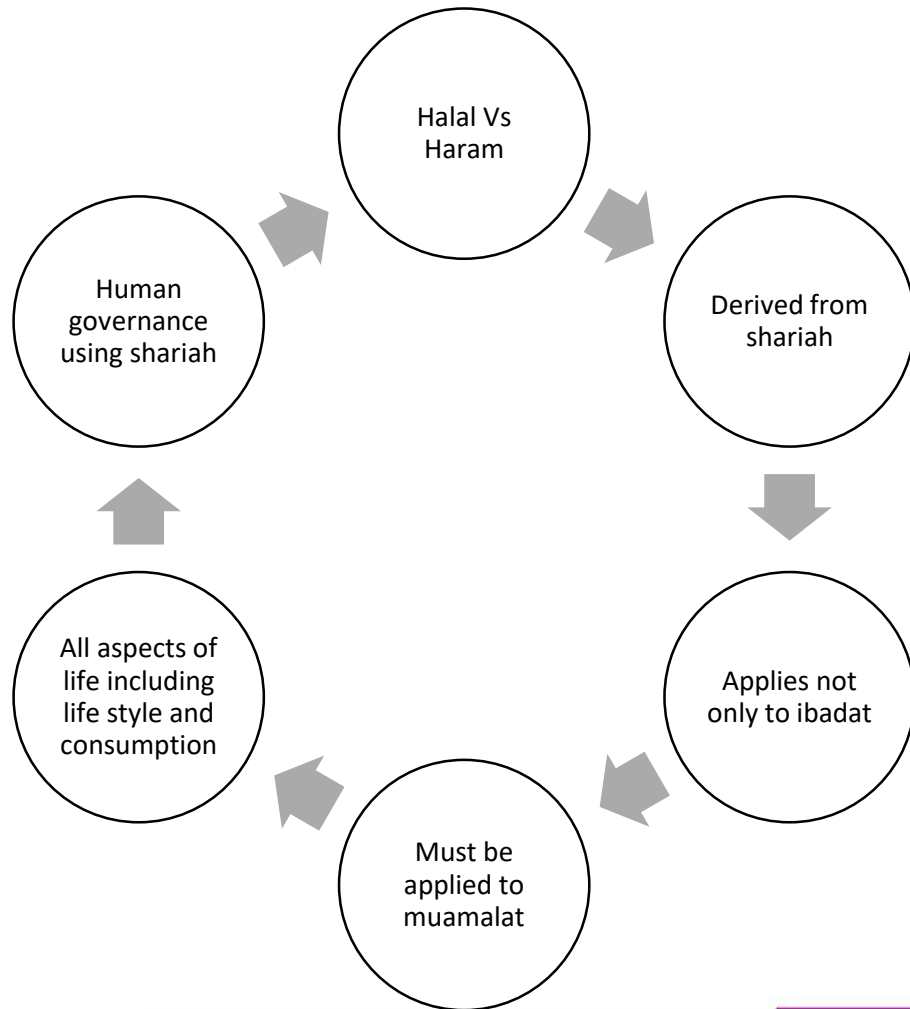
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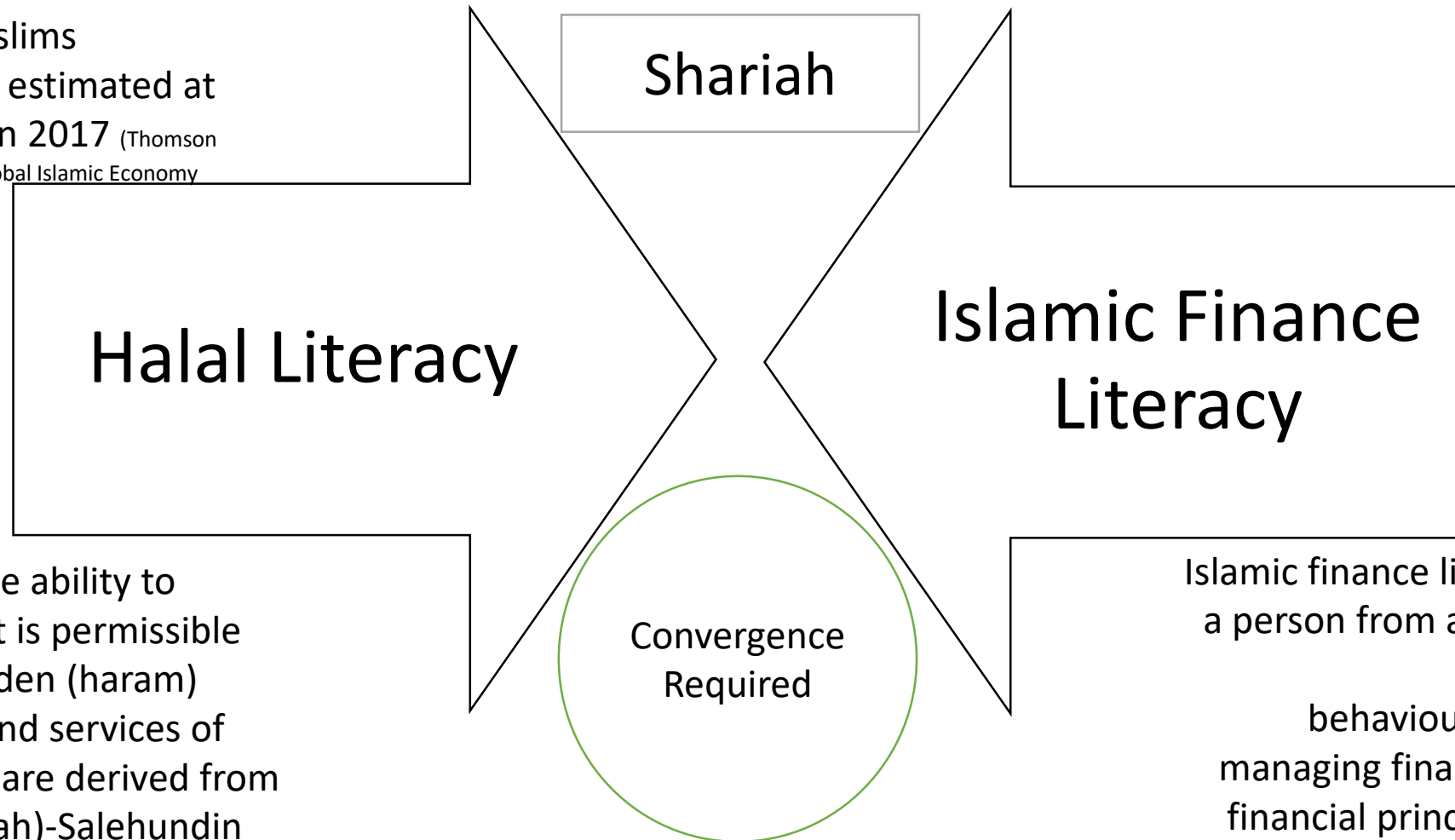
The Concept



“Do you not see that Allah has subjected to your (use) all things in the heavens and on earth, and has made His bounties flow to you In exceeding measure, (Both) seen and unseen? yet there are among men those who dispute about Allah, without knowledge and without guidance, and without a Book to enlighten them!” (Quran, 31:20).

The Nexus between Halal Literacy and Islamic Finance literacy

- 1.8 Billion Muslims
- Muslim spend estimated at US\$ 2 trillion in 2017 (Thomson Reuters, State of the Global Islamic Economy 2018/19)

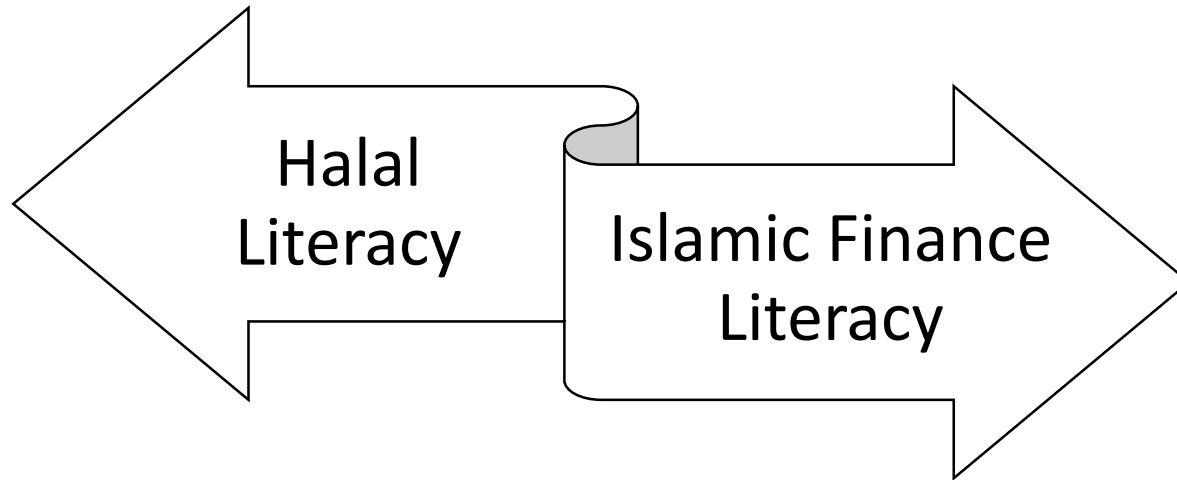


Halal literacy is the ability to differentiate what is permissible (halal) and forbidden (haram) including goods and services of which the rulings are derived from Islamic law (shariah)-Salehuddin (2010)

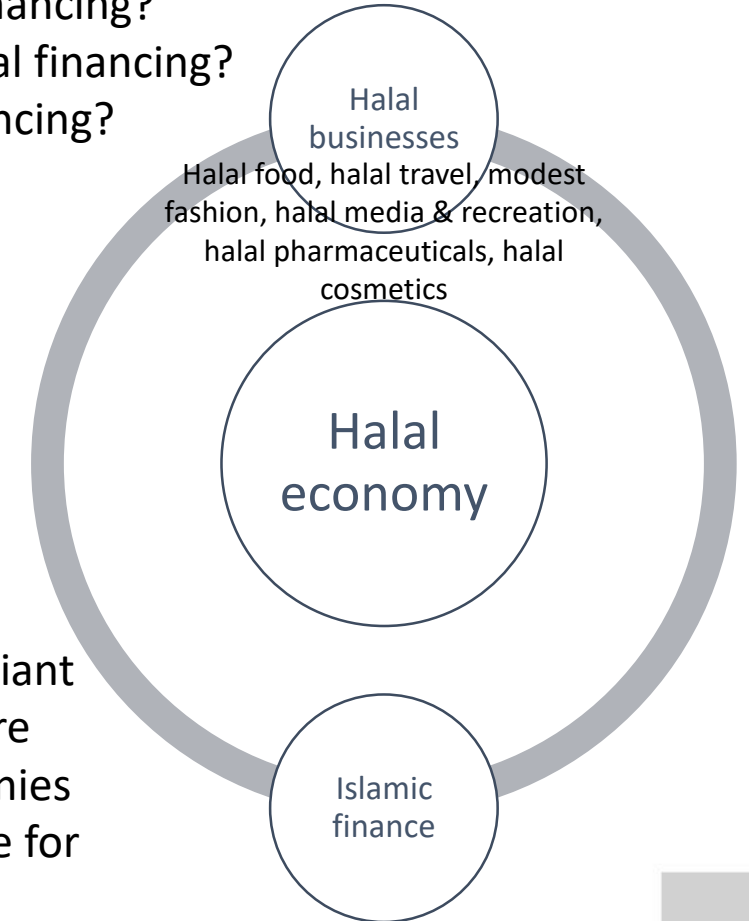
Islamic finance literacy is the ability of a person from aspects of knowledge, attitudes and behaviour of Islamic finance in managing finances based on Islamic financial principles- Setiawati, et.al. (2018)

The Current Situation

- Can Halal businesses be created using conventional financing?
- Can Halal products be manufactured using conventional financing?
- Can Halal services be provided using conventional financing?

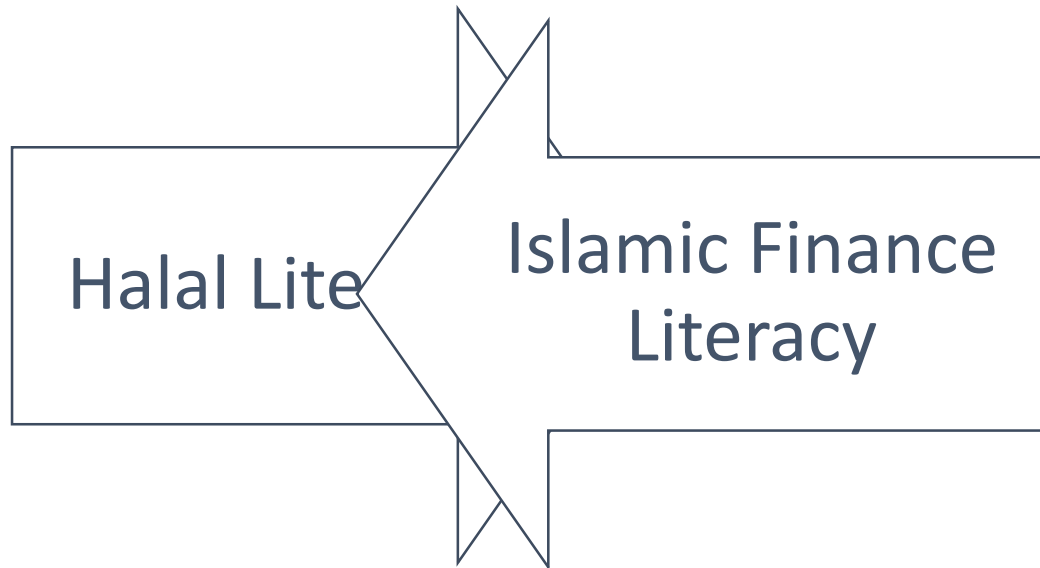


Core businesses of the companies engaged in halal activities are shariah compliant but borrowings and placements of deposits including investment activities are made via conventional financing. This also makes it impossible for such companies to be declared as shariah compliant companies when shariah screening is made for make it possible for Muslim investors to invest

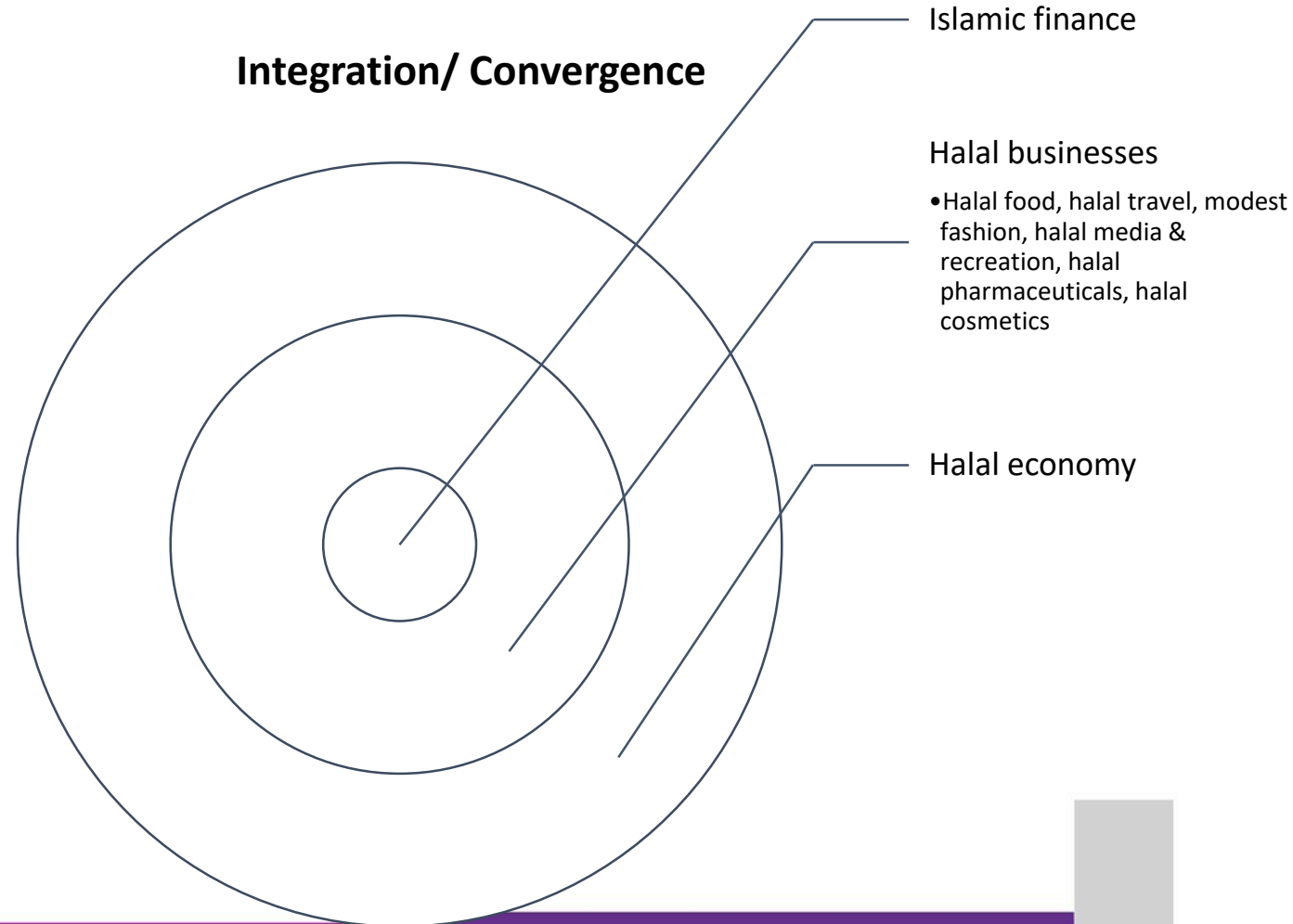


The Ideal Situation

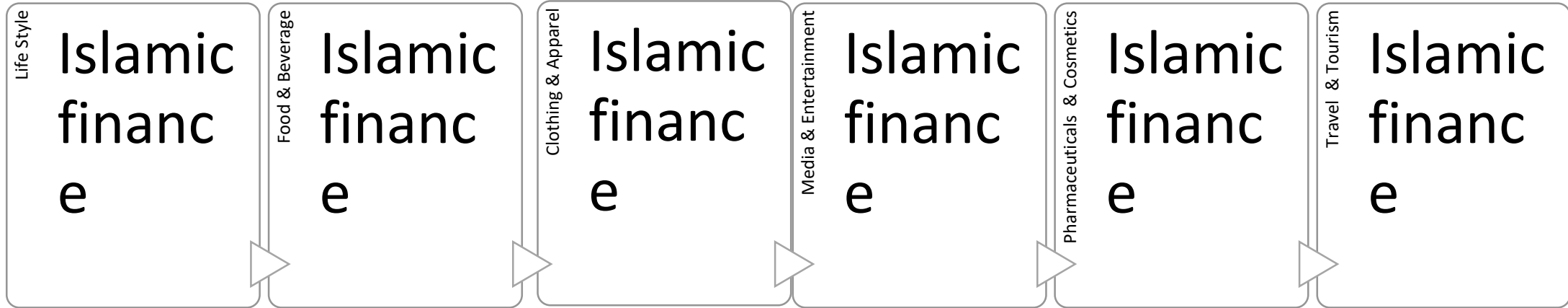
Financial Management in the
halal economy shall be
conducted via Islamic finance



Integration/ Convergence



The Way Forward



- Not only to start the business, but to expand as well
- To provide financial assistance to the customers also

BUT...Is Islamic Finance Ready for this?

Riba Free Logo to inform Customers need
to be introduced

The Modern Islamic Finance

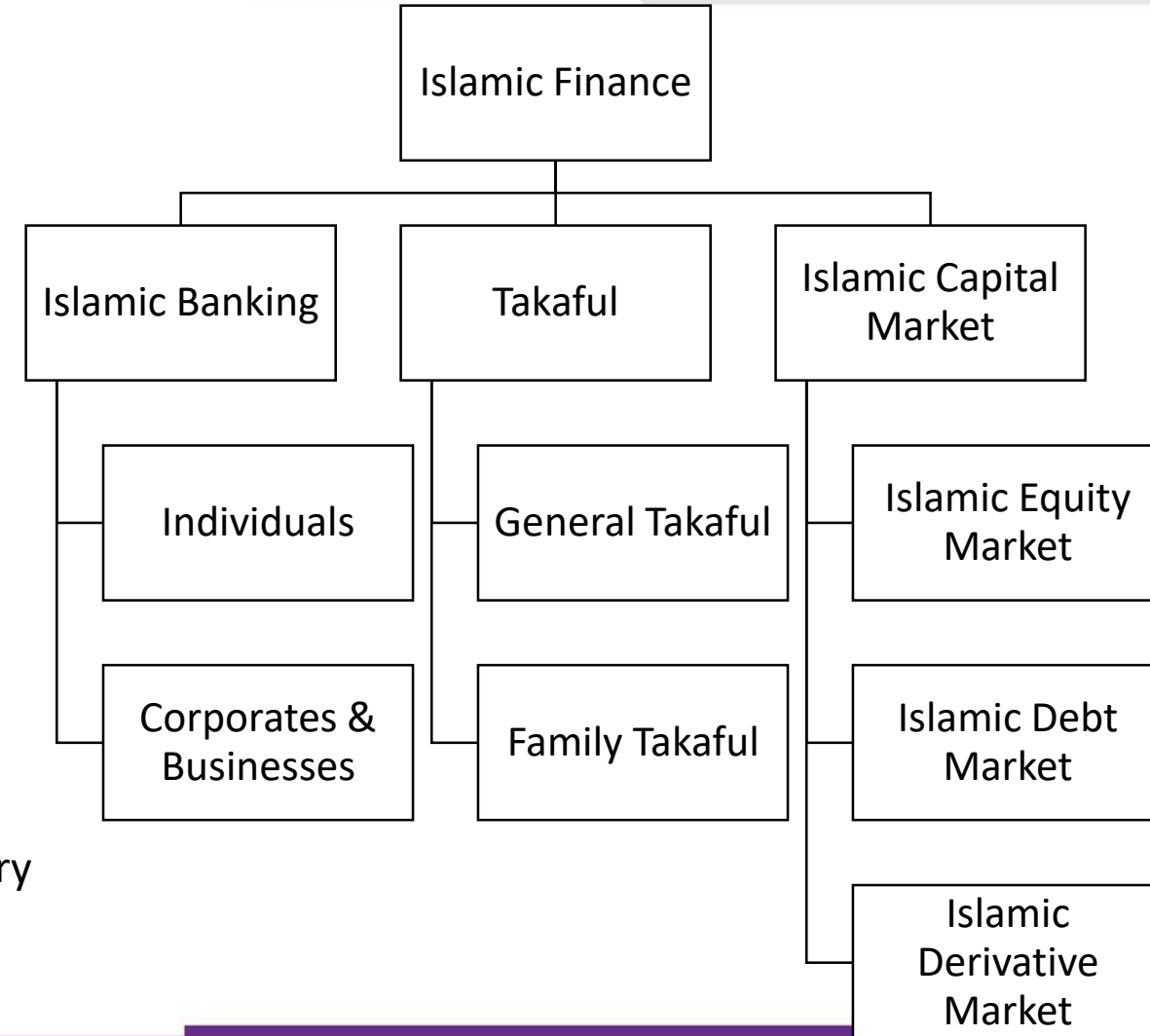
Islamic Finance

Total Islamic
Finance Market



(Thomson Reuters, State of the Global Islamic Economy 2018/19)

Technology based innovations are changing the face of the industry



How to bridge the gap...?

Need cooperation from all the stakeholders

Regulatory Authorities

The regulatory authorities need to push the halal businesses to utilize Islamic financing and need to create more awareness on the opportunities they have in Islamic finance. There is need to formulate the halal shariah governance framework for companies engaged in halal businesses to follow.

Financial Institutions

Instead of having the conventional mind set by generalising certain sectors as haram; need to start doing proper research and find room for businesses with innovative solutions to be financed via Islamic finance

Businesses

Instead of relying on conventional financing for financial management; need to utilize Islamic finance in every possible way.

Consumers

Consumers need to demand for goods and services which are halal; not only on the face of it; but need to look at the whole operation of the businesses.

Recommendation



For Barakah in Business
Barakah means “increase”
and “growth” that lead to
happiness in both worlds.

Can Barakah be quantified?

- There is need to introduce a mechanism for the customers to be informed of the use of Islamic financing by the businesses in a convenient manner.
- Riba-free stamp need to be introduced as this will fall within the ambit of “thoyyiban” and by virtue of this mechanism, the barakah for the business can grow.
- It is recommended to integrate halal financing or Islamic financing as an add on to halal certification process of businesses.
- However, even if the whole business is not halal certified, while it prepares for the process to be undertaken, a mechanism to use riba free logo to inform the customers could be introduced.



EGG FREE



GLUTEN FREE



GMO FREE



NUT FREE



SUGAR FREE



CORN FREE



DAIRY FREE



SOY FREE



TRANS FATS FREE



LOGO:
Leaping Bunny

ORGANISATION:
CCIC & BUAV (Cruelty-Free International)

LOCATION:
International



LOGO:
Caring Consumer

ORGANISATION:
PETA

LOCATION:
USA-based



LOGO:
CCF Rabbit

ORGANISATION:
Choose Cruelty-Free

LOCATION:
Australia-based

Why a Riba Free Logo?



Way to Increase Barakah
(blessing) in the business

- A Riba-Free logo will inform Muslim consumers and investors about the shariah compliant aspect of financing used by the business.
- A standard on the issuance of riba-free logo needs to be introduced.
- The general yardstick to be used to ensure that the business that displays the logo will follow at least the five rules below:
 - 1) Will keep all its money with Islamic banks
 - 2) Will get all financing facilities from Islamic banks or via Islamic financing modes
 - 3) Will do all its investments in shariah compliant instruments
 - 4) All financing assistance given to the customers shall be compliant with shariah
 - 5) Additionally must ensure that the company gives zakat and engage in sadaqat and waqf activities to assist poor and needy

يَمْحَقُ اللَّهُ الرِّبَا وَيُزِيلُ الصَّدَقَاتِ ۗ وَاللَّهُ لَا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ

“Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever.” [Al-Baqarah 2: 276]



Thank You



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