

ISLAMIC FINANCE AND THE SUSTAINABLE DEVELOPMENT GOALS

THOUGHT LEADERSHIP SERIES

Pioneering Islamic Finance and Principles for Responsible Banking Report Launched at UN General Assembly

KUALA LUMPUR, 28 September 2021 - With the Climate Change Conference (COP 26) in Glasgow just six weeks away, the International Shari'ah Research Academy for Islamic Finance (ISRA), INCEIF's research management centre, in partnership with Scotland-based Islamic Finance Council UK (UKIFC), has launched the final report in its 4-part thought leadership series designed to assist and encourage active engagement in support of the UN Sustainable Development Goals (SDGs) by the global Islamic finance sector. This report was prepared by Researcher Dr Fares Djafri and Senior Researcher Prof Younes Soualhi from ISRA and supported by the UKIFC team.

The report highlights the US\$5-7 trillion annual funding gap to achieve the SDGs by 2030, which cannot all be obtained from government or donor agencies. With its underlying Shariah principles, Islamic finance is naturally aligned and well positioned to lead the private financial services sector's efforts in funding the SDGs.

By providing a detailed analysis of the views of Shariah scholars on the alignment of Islamic finance with the SDGs, the report explores the current awareness levels of Shariah scholars and captures their views on SDG implementation.

ISRA and UKIFC have published this report to encourage Islamic finance institutions (IFIs) to embrace the SDGs and demonstrate that consideration for people, planet and purpose can coexist with profit and underpin the next generation of Islamic financial products. The SDGs have a clear development agenda, relevant to the world of Islamic social finance (*zakat, sadaqah, waqf*, etc.), but this report presents a clear challenge to the private Islamic finance sector to build the achievement of the SDGs into their commitments to the fight against climate change.

REPORT KEY FINDINGS:

- The alignment of the SDG agenda and Islamic finance presents a clear opportunity to attract capital from across the global financial system. SDGs provide an opportunity to Islamic banks and financial institutions that should be adopted as part of their business strategies.
- The SDGs are aligned to *maqasid al-Shariah* (the objectives of Shariah) with very minor differences in certain aspects of Shariah.
- The role of Shariah scholars should not be limited to approval of product compliance but can extend to include SDG goals and values.
- In pursuing SDGs in socio-economic activities, philanthropic instruments such as *waqf, zakat* and *sadaqah* will rank supreme due to their potential for instilling cooperation, solidarity and alternative finance.
- The issuance of sustainable sukuk has been part of the Covid-19 response through an alignment with the underlying principles of Islamic finance.
- The emergence of fintech should trigger innovations among the Islamic finance industry players and promote creativity by providing new perspectives and practices in financial transactions.
- Shariah scholars should understand the technical aspects of sophisticated financial instruments and the implementation of fintech in Islamic finance to keep pace with the developments that are taking place in the market. In this regard, Shariah scholars and industry players must work together to produce innovative Shariah-compliant products that fulfil the needs of the society and help realize the SDGs.

ENDS

DOWNLOAD THE REPORT

<https://www.ukifc.com/sdg/>

<https://ifikr.isra.my/library/SR/1>

QUOTES



"It is no surprise that the importance of adopting SRI and ESG, as well VBI at the level of Islamic finance institutions has emerged. This is clearly shown by the ways that IFIs have been doing business whereby reporting is becoming more comprehensive in covering ESG and SDG concerns".

"Having said that, the issue of their compatibility with the ethical values propagated by Islam and maqasid al-Shariah has emerged in the contemporary Islamic financial discourses and practices. The assimilation of maqasid al-Shariah in contemporary Islamic financial practices remains inadequate compared to what is required of the Islamic financial industry to achieve social and economic development".

"Islamic finance institutions must adopt a more proactive approach to delivering the requirements of maqasid al-Shariah and therefore to associate and integrate objectives such as the SDGs within their business model and policy formation. Taking a step further, the current understanding and interpretation of maqasid requires a grand framework that integrates maqasid al-Shariah and SDGs and provides direction for how financial transactions should be arranged in an Islamic economic system".

Sheikh Dr. Mohamed Ali Elgari



"The SDGs in many areas are compatible with the Shariah and what is important is how to interpret the different goals and understand them within the framework of Shariah. The interpretation of the relationship between maqasid and SDGs should be based on the flexibility and understanding of different conditions, cultures, customs as well as the needs of people at different times and places; all these factors have to be taken into account when interpreting the differences between SDGs and maqasid al-Shariah".

Prof. Dr. Mohamad Akram Laldin, Executive Director, ISRA Malaysia



"This last report in our four-part PRI series sends a clear message to Shar'iah scholars: You have to understand the technical aspects of financial world as we start to look beyond COP 26. I am calling on scholars and industry players to work together to produce innovative Shariah-compliant products that fulfil the needs of the society, and help us all to deliver the objectives of the Sustainable Development Goals (SDGs) by 2030."

Omar Shaikh, Board Member, UKIFC

ABOUT ISRA

ISRA, the Research Management Centre of INCEIF, is set up by the Central Bank of Malaysia (Bank Negara Malaysia) to promote applied research in the area of Shari'ah and Islamic finance. ISRA provides a platform for greater engagement amongst practitioners, scholars, regulators and academicians via research and dialogue, in both the domestic and international arenas. With more than 200 conference presentations and over 100 published research papers, along with published materials distributed to more than 40 countries worldwide, Award-winning ISRA has been voted the "Best Islamic Research Firm" by the IFN Service Providers Poll for a total of seven times. ISRA aims to be the world's premier Shari'ah research centre in Islamic Finance.

ISRA – <https://www.isra.my/>

ABOUT UKIFC

The Islamic Finance Council UK (UKIFC) is a specialist, not-for-profit, advisory and developmental body focused on promoting and enhancing the global Islamic and ethical finance industry. It has helped six countries develop enabling regulatory frameworks for Islamic finance, enhancing financial inclusion to over 15 million people, established the award-winning Ethical Finance Round Table series running since 2010, launched the world's first joint venture between Islamic finance and the Church of Scotland, and delivered development sessions to over 500 Islamic scholars across the globe. In 2020 the UKIFC, alongside the British Government's Treasury department, established the Islamic Finance and Sustainable Development Goals (SDGs) taskforce, which will be anchored in London.

UKIFC – <https://www.ukifc.com/>

SDG Taskforce - <https://www.ukifc.com/sdg/>

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