

Digital Framework of Islamic Social Finance to Support M40 Income Group in Malaysia

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Abstract— The 12th Malaysian Plan 2021-2025 issued by Economic Planning Unit in 2021 outlined one of the six important priorities to support M40 towards equitable society. The Financial Sector Blueprint 2022-2026 released by Bank Negara Malaysia in 2022 further outlined the fifth key thrust focusing on Islamic Social Finance. The purpose of this research is to examine the digital and legal framework of Islamic Social Finance to support M40 Income Group in Malaysia. This study adopts doctrinal legal research method to examine the laws and regulations governing Islamic digital bank and Islamic Social Finance in Malaysia. The qualitative method is used to propose the framework of Islamic digital bank as Islamic financial institution to provide Islamic Social Finance instrument to support M40 income group. The implication of this study is important to propose the digital and legal framework and bridge the Islamic Social Finance instrument to support M40 income group in Malaysia. The significant of this study is to realign between priorities of the 12th Malaysian Plan 2021-2025 and Islamic Social finance as stated in Financial Sector Blueprint 2022-2026.

Keywords: Digital Framework, Islamic Social Finance, Legal Framework, M40 Income Group.

I. INTRODUCTION

M40 is a middle-income group with incomes between RM 4,850 and RM 10,959 that making profit, paying fair share of taxes and zakat, and creating quality employment in Malaysia. However, Malaysian M40 category are the worst hit by the economic fallout caused by Covid-19 as ignored group to obtain financial assistance during difficulties. In 2020, the Department of Statistics Malaysia (DOSM) reported in the Household Income Estimates (HIES) and Incidence of Poverty Report that 20% or about 580,000 households from the M40 households have shifted to the income limit of the B40 group. The main challenges faced by M40 Income Group are slow income growth and limited avenues to seek financial assistance as they are generally ineligible for social assistance programs.

As a result, the 12th Malaysian Plan 2021-2025 issued by Economic Planning Unit in 2021 outlined six priorities and one of them is supporting M40 towards equitable society (EPU,2021). The Financial Sector Blueprint 2022 - 2026 released by Bank Negara Malaysia (BNM) in 2022 further outlined the key thrust focusing on digitalization, financial inclusion and social finance (BNM,2022).

On 31 December 2020, BNM has released the Policy Document on Licensing Framework for Digital Banks that provides framework for offering banking products and services to support Malaysia’s underserved and unserved market segments wholly or almost wholly through digital or electronic means. The 29 applications for digital banking license have been submitted to BNM on 30 June 2021 and only five applicants have been granted licenses by BNM in 2022(BNM,2022).

There are three digital banks approved to be licensed under the Financial Services Act 2013 (FSA 2013) (BNM,2022).

Table 1.1: List of successful applicants for licensed Digital Bank in Malaysia

1.	Consortium of Boost Holdings Sdn. Bhd. and RHB Bank Berhad
2.	Consortium led by GXS Bank Pte. Ltd. and Kuok Brothers Sdn. Bhd.
3.	Consortium led by Sea Limited and YTL Digital Capital Sdn Bhd.

Source: BNM,2022

The other two Islamic Digital Banks to be licensed under the Islamic Financial Services Act 2013 (IFSA) (BNM,2022).

Table 1.2: List of successful applicants for licensed Islamic Digital Bank in Malaysia

1.	Consortium of AEON Financial Service Co., Ltd., AEON Credit Service (M) Berhad and Money Lion Inc.
2.	Consortium led by KAF Investment Bank Sdn. Bhd.

Source: BNM,2022

II. RESEARCH OBJECTIVE AND RESEARCH METHODS

A. Research Objectives

RO 1: To examine the laws and regulation governing Islamic digital bank and Islamic Social Finance in Malaysia.

RO 2: To propose the framework of Islamic digital bank as institution to provide Islamic social finance instrument to M40 income group in Malaysia.

B. Research Methods

This research adopts doctrinal legal research to examine the laws and regulation governing Islamic digital bank and

Islamic social finance in Malaysia. The qualitative research method is used to propose the framework of Islamic digital bank as institution to provide Islamic social finance instrument to M40 income group in Malaysia.

III. M40 MIDDLE INCOME GROUP IN MALAYSIA

Malaysian households are classified into three main income groups that categorised as B40, M40 and T20 (Department of Statistics Malaysia,2020).

These categories are based on the household rather than individual income. The classification is based on the Household Income and Basic Facilities Survey (DOSM, 2019). Method of group classifications are varied according to the country for example Singapore, United States of America and South Korea use B20, M60, and T20. On the other hand, Thailand uses B50, M40 and T10 (Banks et al 2017).

In the classification on income range of the income group as stated in Table 1.3, the T20 representing 20% of households covers 1.46 million households net income of RM10,960 and above. M40 is a 40% of middle-income group with a monthly income between RM4,850 to RM10,959 covering 2.91 million households and B40 covers the remaining 40% of below income group comprising of 2.91 million households with a monthly income less than RM4,850(Department of Statistics Malaysia,2020).

Most of the financial assistance programme and the government transfer payment are targeted to the B40 income group. The main concern now after the Covid-19 pandemic outbreak, the landscape of Malaysian economy also affected by the economic uncertainty which includes unemployment and inflation. Besides that, there are also household receiving the M40 gross income, but after the deductions of the tax and the compulsory statutory payment to Employment Provident Funds (EPF) and Social Security Organisation (SOCSO) they fall under the B40 income group. The M40 is also having difficulties of getting financial assistance through social finance programme although they are already in deep debts to survive in the urban area with high cost of living.

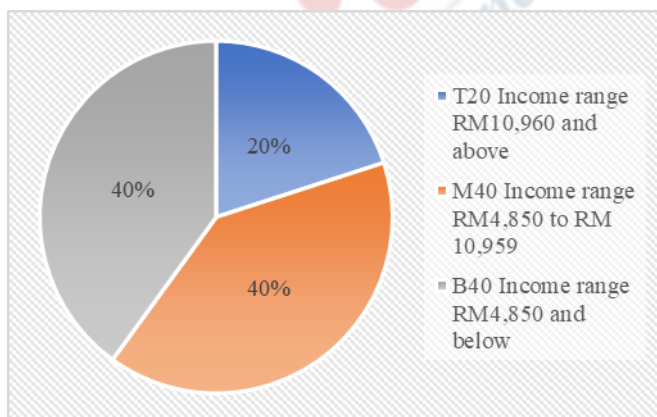


Figure 1. Income Group in Malaysia
Source: Department of Statistics Malaysia,2020

The M40 is facing pressure as they are trapped due to the economy condition, slow income growth and the sticky wages. The financial aids did not cater for this M40 income group as they are part of the contributor to the taxation in Malaysia. The pressure on this group can push the M40 households to B40 income group. The implication of the shift from M40 to B40 can give an impact of the income redistribution and can lead to the disparity and inequalities in society.

IV. THE 12TH MALAYSIAN PLAN 2021-2025

The Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan) has identified six (6) main challenges faced by M40 including limited avenue to seek assistance as M40 are generally ineligible for social assistance programme, high cost of living, slow income growth, inadequate tax relief, limited access to childcare facilities and inability to afford employment health coverage insurance. The Twelfth Plan aimed to uplift income and standard of living of not only the poor and B40, but also M40 towards equitable society by raising income and improving wellbeing of the M40 through strengthening policy (EPU,2021).

The Government of Malaysia has set the four priorities area to support the M40 among others are to boosting income of the M40, improving access to quality and affordable education, encouraging health and employment protection and facilitating ownership of affordable homes for M40 housing ownership (EPU,2021).

As at December 2023, the M40 group receiving financial aid from the Government of Malaysia amounting to RM100 in the form of eMadani credit cash transfer distributed to 10 million eligible recipients including M40 and has to be redeemed by February 2024 (Ministry of Finance, 2023). Budget 2023 further provides additional initiatives to M40 income group by giving 2%-point reduction in individual tax for the annual income brackets between RM50,001 and RM100,000(Ministry of Finance,2023).



Figure 2. Personal Income Tax 2%-point reduction
Source:Author's compilation

**V. THE FINANCIAL SECTOR BLUEPRINT
2022-2026**

Social finance is an enabler for social development in Malaysia (BNM,2022). The Financial Sector Blueprint 2022 - 2026 released by Bank Negara Malaysia (BNM) in 2022 outlined the key thrust focusing on digitalization, financial inclusion and social finance. Bank Negara Malaysia is promoting social finance to all financial institutions licensed under FSA 2013 and Islamic financial institution licensed under IFSA 2013 to participate in social finance programme as part of its core banking business (BNM,2022).

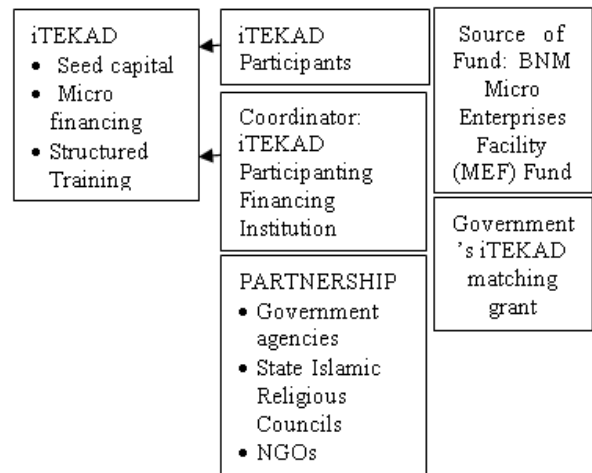
The Government of Malaysia is supporting Bank Negara Malaysia as the main regulator to play an important role by establishing the programme of i-TEKAD with the main objective to provide financial assistance to low-income microentrepreneurs focusing on Small and Medium Enterprise businesses (SME)(BNM,2022). iTEKAD has welcome positive participation from the banking industry players. iTEKAD programme combines microfinance with the provision of business assets funded by social finance instruments including donation, zakat, cash waqf and social impact investment that are supported by business training and structured financial as explained in Diagram 1.1. The allocation of RM25 million extension budget for the year 2024 as matching grant approved by the Government of Malaysia for iTEKAD programme show the commitment towards social finance financial assistance aids (BNM,2023).

As at January 2024, there are 9 participating Islamic bank offering i-TEKAD to the low-income microentrepreneurs including Affin Islamic Bank Berhad, AmBank Islamic, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, CIMB Islamic Bank Berhad, Public Islamic Bank Berhad, RHB Islamic Bank Berhad, Maybank Islamic Berhad, Hong Leong Islamic Bank Berhad, and four (4) participating Development Financial Institutions (DFIs) including SME Bank Berhad, Bank Pertanian Malaysia Berhad (Agrobank) Bank Simpanan Malaysia and Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat)(BNM,2024).

The success of Sadaqa House established by Bank Islam Malaysia Berhad (BIMB) in 2018 that encourage contribution of Sadaqa towards Islamic social finance programme has been reported annually in Impact Report 2018,2019,2020,2021 and 2022(BIMB,2022). It is targeted by 2040 the aim of RM 1 billion perpetual fund size with distribution RM3 million per month achieved by Sadaqa House of BIMB(BIMB,2022).

Islamic financial institutions have explored various means and ways to establish social finance program for the social development of the nation. Diagram 1 shows that the innovative initiatives by Islamic banking industry players to develop social finance with Value-Based Intermediaries to include various target segments (BNM,2022)

Diagram 1.1: iTEKAD as Social Finance Programme under BNM in Malaysia



Source: BNM,2023

VI. FINDINGS AND DISCUSSION

A. Islamic Social Finance

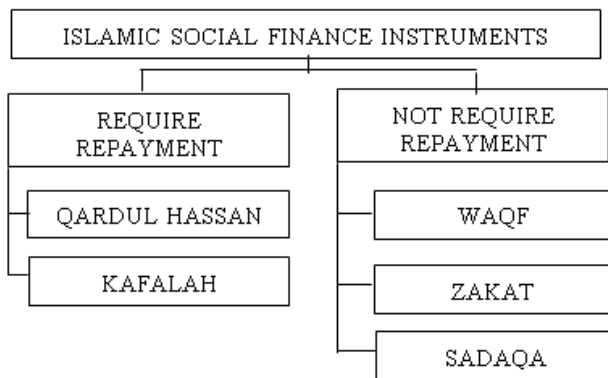
Islamic Social Finance (ISF) refers to financing methods that are intended for social benefit. (BNM,2022). ISF is an emerging area of study that emphasizes the Islamic finance institutions centred on the philanthropy of Zakat (almsgiving), Waqf (property donated for religious or community use), and Sadaqah (charity) (Aam & As-Salafiyah, 2021). ISF is also based on Ta'awun (cooperation-based activities), which include Qardhul hasan (benevolent loan) and Kafala (guarantee).

The ISF has attracted researchers' attention for its unique characteristic compared to other banking instruments (Kuanova et al.,2021). The recent development of value-based intermediation has supported the application of ISF by Islamic Financial Institution (Romzie et al,2022).

ISF has salient features that operate on *Maqasid Shariah* (Objectives of Islamic Law). According to Abdul Razak et al., (2022), the previous few decades have seen an incredible breakthrough in the development of ISF. Zakat, waqf, and sadaqah has become the most significant and frequently employed instruments for addressing societal issues including hunger, poverty, raising the standard of education, and promoting *ummah* (Muslims societies) welfare.

Islamic Social Finance has been developed in adherence to the Shariah principles of socioeconomic justice, equality, and collective prosperity. Thus, Islamic social finance instruments play a vital role in addressing socio-economic issues and socio-economic development related to financial literacy, education, and unemployment. As such, integrated ISF reporting can empower sustainable economic development and lead to economic recovery. (Salina at el. 2022).

Diagram 1.2: Islamic Social Finance Instruments



Source: Author’s compilation

B. Legal and Regulatory Framework of Islamic Digital Banking Business in Malaysia

Section 27 of Central Bank Malaysia Act 2009 recognized dual financial system in Malaysia. The section clearly states that the financial system in Malaysia shall consist of the conventional financial system and the Islamic financial system (BNM,2009). The aim, aspiration and direction of Financial Sector Blueprint 2022-2026 towards digitalization, financial inclusion and achieving social finance in dual Malaysian financial system have been materialized with the establishment of both digital bank and Islamic digital bank.

On 8th January 2024, AEON Bank (M) Bhd (formerly known as ACS Digital Berhad) has obtained approval from Bank Negara Malaysia and the Minister of Finance to commence its Islamic digital banking business as the first Islamic digital bank in Malaysia to promote financial inclusion and Islamic banking. The approval was granted based on Bank Negara Malaysia’s validation of its operational readiness in compliance with the policy document on Application Procedures for New Licenses under Financial Services Act 2013 (FSA 2013) and Islamic Financial Services Act 2013 (IFSA 2013).

As of February 2024, there are three digital banks in operation in Malaysia; GX Bank Berhad and Boost Bank Berhad (both are digital bank that are licensed under Financial Services Act 2013 (FSA 2013) to carry out digital banking business conventional in nature) and AEON Bank Berhad (Islamic digital bank licensed under IFSA 2013 to carry out Islamic digital banking business which is Shariah Compliance). The other two digital banks have yet in full operation subject to readiness compliance.

Table 1.3: List of Digital Banks in Malaysia

	Digital Banks in Malaysia	Licensing Law
1.	AEON Bank (M) Berhad	Licensed Islamic Digital Bank under IFSA 2013
2.	Boost Bank Berhad	Licensed Digital Bank under FSA 2013
3.	GX Bank Berhad	Licensed Digital Bank under FSA 2013

Source: BNM,2024

C. Policy Document on Licensing Framework for Digital Banks

Bank Negara Malaysia is empowered under section 266 of FSA 2013 and section 277 of IFSA 2013 to issue guidelines, and policy document for the purpose of regulation and supervision of the financial institution and Islamic financial institution in Malaysia (BNM,2013). The Policy Document on Licensing Framework for Digital Banks was issued by BNM on 31 December 2020 to set out the requirements relating to applications for the establishment of a digital bank and Islamic digital bank (BNM,2020). The policy document must be read together with other relevant legal provisions of IFSA 2013.

“Digital banking business” means banking business as defined in section 2(1) of the FSA which is carried on wholly or almost wholly through digital or electronic means (BNM,2020).

“Islamic digital banking business” means Islamic banking business as defined in section 2(1) of the IFSA which is carried on wholly or almost wholly through digital or electronic means (BNM,2020).

“Licensed digital bank” means– (a) a person licensed under section 10 of the FSA to carry on digital banking business; and (b) a person licensed under section 10 of the IFSA to carry on Islamic digital banking business (BNM,2020).

D. Islamic Financial Services Act 2013

Islamic Financial Services Act 2013 (IFSA 2013) is the law that provide for the regulation and supervision of Islamic financial institutions to ensure Shariah compliance. Islamic digital bank is required by law to carry out Islamic digital banking business under the purview of BNM and to comply with the legal requirements and Shariah requirements (IFSA, 2013).

Section 2 of IFSA 2013 provides the detailed definitions on the term Islamic banking business to mean the business of

- (a) accepting Islamic deposits on current account, deposit account, savings account or other similar accounts with or without the business of paying or collecting cheques drawn by or paid in by customers; or
- (b) accepting money under an investment account; and
- (c) provision of finance; and
- (d) such other business as prescribed under section 3 of IFSA 2013.

The term “Islamic deposit” is defined in the same section as a sum of money accepted or paid in accordance with Shariah (IFSA,2013). Section 3 of the Act further provides that the Minister of Finance has the power to prescribe any business activities as an addition to the definition of Islamic banking business upon recommendation of BNM.

The term “provision of finance” as provided in (c) of the definition of “Islamic banking business” is defined to include the permissible Islamic financing as listed under Table 1.4.

Table 1.4: Provision of Finance

	Definition of provision of finance under Section 2 of IFSA 2013
(a)	Equity or partnership financing including musyarakah, musyarakah mutanaqisah and mudarabah
(b)	Lease based financing, including al-ijarah, al-ijarah muntahia bi al-tamlik, and al-ijarah thumma al-bai'
(c)	Sale based financing, including, istisna'; bai' bithaman ajil, bai' salam, murabahah and musawamah
(d)	Currency exchange contracts
(e)	Fee based activity, including wakalah
(f)	Purchase of bills of exchange, certificates of Islamic deposit or other negotiable instruments
(g)	The acceptance or guarantee of any liability, obligation or duty of any person

Source: Author's compilation

E. The statutory duties of Islamic digital bank

The main statutory duties of Islamic digital bank are set out under Sections 28, 29 and 30 of IFSA 2013.

Table 1.5: Main statutory duties of Islamic digital bank

IFSA 2013	Main statutory duties of Islamic digital bank
Section 28(1)	Statutory duty of Islamic digital bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.
Section 28(2)	Statutory duty of Islamic digital bank to comply with any ruling of Shariah Advisory Council of Bank Negara Malaysia to ensure Shariah compliance.
Section 28(3)(a)	Statutory duty of Islamic digital bank to immediately notify Bank Negara Malaysia and its Shariah committee on any Shariah non-compliance events.
Section 28(3)(b)	Statutory duty of Islamic digital bank to immediately cease from carrying on Shariah non-compliance businesses or activities.
Section 28(3)(c)	Statutory duty of Islamic digital bank to submit to Bank Negara Malaysia the rectification plan on Shariah non-compliance businesses or activities
Section 29(3)	Statutory duty of Islamic digital bank to comply with policy documents, guidelines and Shariah standards on Shariah matters issued by Bank Negara Malaysia.
Section 29(4)	Statutory duty of Islamic digital bank to ensure its internal policies and procedures on Shariah Governance comply with Shariah standards issued by Bank Negara Malaysia.
Section 30(1)	Statutory duty of Islamic digital bank to establish Shariah Committee to ensure Shariah compliance.

Source: Author's compilation

F. Offences and punishment under for breach of statutory duties under IFSA 2013

Islamic digital banking business s within the regulation of Islamic banking industry. Bank Negara Malaysia has taken seriously the legal effect of Shariah non-compliance issues in order to ensure Shariah compliance. Section 28(5) and 29(6) provide serious offences and punishment for contravention of sections 28(1), 28(3) or 29(1).

Table 1.6: Offences and punishment under for breach of statutory duties under IFSA 2013

The punishment for committing an offence under Section 28(1) or 28(3) of IFSA 2013: Shariah Non-compliance	The punishment for committing an offence under Section 29(1) of IFSA 2013: Non-compliance with BNM Shariah standards
Imprisonment for a term not more than 8 years; or	Imprisonment for a term not more than 8 years; or
A fine not exceeding RM 25 million; or	A fine not exceeding RM 25 million; or
both - Imprisonment for a term not more than 8 years and a fine not exceeding RM 25 million.	both - Imprisonment for a term not more than 8 years and a fine not exceeding RM 25 million.

Source: Author's compilation

G. Qardul Hassan as Islamic Social Finance Instruments to support M40 in difficulties.

Qardhul Hassan, also known as a benevolent loan, is a key concept in Islamic finance, particularly in the context of Islamic banking. It is a form of interest-free loan that serves as a bailout fund for short-term financial needs of small and medium businesses or individuals in Muslim-majority countries (Hannanong, 2018; Al-Aidaros, 2023). The application of Qardhul Hassan is guided by the principles of Maqasid Shariah, particularly the goal of safeguarding property and preventing financial harm (Wahab 2021). It can also be institutionalized within a corporate structure, providing a sustainable and ethical financing solution that generates overall financial benefits (Kazak, 2022).

As an interest-free loan, Qardhul Hasan, is a key tool in Islamic finance for helping and promoting socioeconomic justice for the lower income group. Junaidi (2017) and Khan (2020) both highlight their potential for poverty alleviation, with Khan (2020) proposing an AI-based fintech model to support COVID-19 affected SMEs. Iqbal (2015) further underscores its role in enhancing financial inclusion, particularly in Muslim-dominated countries, through the case study of Akhuwat. Al-Aidaros (2023) extends this discussion by proposing a Qardhul Hasan institution for middle-class individuals in Muslim-majority countries, emphasizing the integration of Islamic ethics and finance.

The implementation of Qardhul Hassan as a zero-return financing concept has been explored in various contexts, not only in communities but also in financial institutions. Al-Aidaros (2023) and Mustofa (2019) both highlight the

potential of Qardhul Hassan in addressing the financial needs of middle-class individuals and small communities, respectively. However, Abidin (2011) noted that its implementation in Islamic banks in Malaysia is limited to employees and specific purposes. Muneer (2020) provided a successful case study of the Fael Khair Waqf Program in Bangladesh, which utilized Qardhul Hassan to alleviate poverty following a natural disaster.

In Malaysia, CALF Berhad offered Qardhul Hassan financing to employees for specific purposes (Abidin, 2011) such as marriage, education, and performing hajj (Al-Aidaros, 2023). In addition, Qardhul Hassan can be used as a tool for Islamic crowd funding instrument for micro-enterprises, with a focus on managing associated risks (Aderemi, 2022). Amin (2022) developed a scale to measure the receptiveness of waqif to waqf-based qardhul hassan financing, identifying family, consumer, and ummah factors as important considerations. In other country such as Iran, interest-free loans, including Qardhul Hassan, have been used in poverty alleviation programs, with positive effects on per capita income (Mojtahed, 2009). In Pakistan, the Islamic micro-finance organization Akhuwat utilized Qardhul Hassan to enhance financial inclusion and social unity (Iqbal, 2015). A proposed Qardhul Hassan institution for middle-class individuals in Muslim-majority countries aims to provide ethical financing without interest (Al-Aidaros, 2023). These examples demonstrate Qardhul Hassan’s diverse applications in promoting financial inclusion and ethical financing.

The potential for social banking in Malaysian Islamic banks particularly Qardhul Hassan has been highlighted, with a need for a model that addresses socio-economic development (Nor, 2016). Bank Islam Malaysia Berhad’s BangKIT Microfinance Product is an example of an Islamic social finance initiative, which could be further improved to unlock its full potential (Wahab, 2023). The importance of Islamic financing for SMEs in Malaysia has also been emphasized, with a proposed framework to enhance their understanding and awareness (Muhmad, 2020).

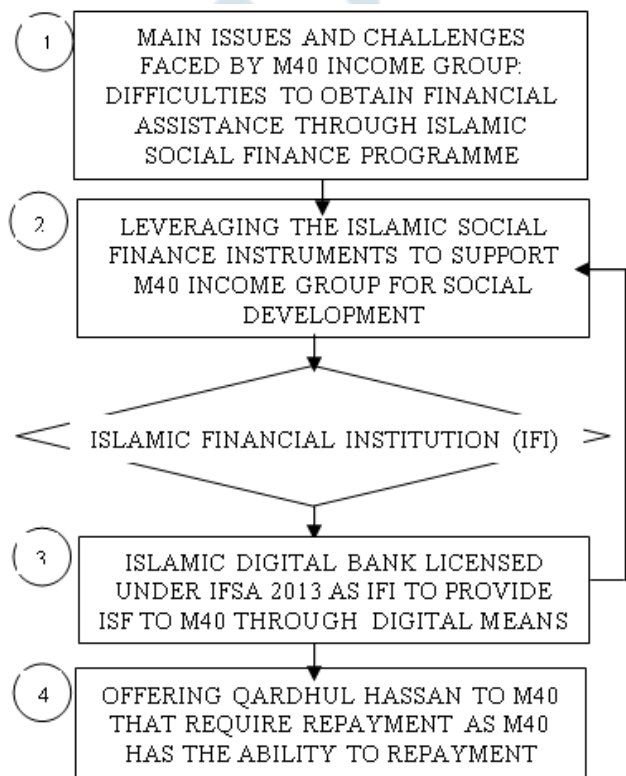
Zulkefely et al. (2023) in his research paper has innovated the existing financing model in Islamic banking by using hybrid of Cash Waqf and Qardhul Hasan (CWQH). By using content analysis, a model of CWQH was developed to facilitate B40 and M40 households in Malaysia. These studies enable the M40 to structure their finance before finding job opportunities. It collectively underscores the need for an Islamic digital bank to provide Islamic social finance instruments to the M40 income group in Malaysia to address socioeconomic development.

In Islamic finance, the potential of Islamic social finance for serving financial inclusion is largely untapped and underutilized. There is a perception that Islamic social finance is only for religious and charitable purposes such as waqf and sadaqah. In addition, commercial bank has difficulty to provide financial services to the hardcore poor

because of lack of “cost-efficient” model to make it sustainable (BIMB, 2021). As such, this study offers the finding for the proposed collaboration framework between the Islamic financial institutions and waqf institutions to provide Qardhul Hassan in developing the framework for the M40 middle income group that require the repayment to sustain the funds.

H. The proposed digital framework of Islamic Social Finance to support M40 Income Group in Malaysia

Diagram 1.3: The proposed digital framework of Islamic Social Finance to support M40 Income Group in Malaysia.¹



Source: Author’s compilation

I. Implication of the Study

The research is to close the gap of literature on M40 income group, Islamic digital bank, and Islamic social finance. The finding is in the form of recommendation of digital framework for leveraging Islamic Social Finance for M40 Income Group: raising the income and wealth of bottom M40 Income Group to high M40 Income Group. The implication of this research will realign the fifth key thrust element related to digitalization, financial inclusion and Islamic Social Finance as stated in Financial Sector Blueprint 2022-2026 and the key focus of 12th Malaysian Plan 2021-2025 to support M40 Income Group. The finding of this research is to develop digital framework of leveraging Islamic Social Finance Instruments to elevate M40 Income Group within the purview of laws and regulation governing

¹ Bridging 12th Malaysian Plan 2021-2025 and Financial Sector Blueprint 2022-2026

Islamic Digital Bank and Islamic Social Finance under Islamic Financial Services Act 2013.

VII. RECOMMENDATIONS

The recommendations are submitted based on the findings of the research as follows:

- 1) Establishment of a framework to bridge between one of the priorities of 12th Malaysian Plan 2021-2025 to support M40 towards equitable society and Islamic social finance as an enabler for social development as set by Financial Sector Blueprint 2022-2026.
- 2) Establishment of the framework of Islamic digital bank as Islamic financial institution to provide Islamic social finance instrument to support M40 income group in Malaysia during difficulties.
- 3) The framework has to be enhanced and extended to include Qardhul Hassan as one of the Islamic social finance instruments that is benevolent loan to provide financial assistance to M40 income group during the difficulties.
- 4) The consideration for extension of social finance programme to include Qardhul Hassan is with the provision that the participants are able to become the contributor to social finance funds in future that are able to support the development of Islamic social finance instruments as enabler for social development in Malaysia.

VIII. CONCLUSION

As a conclusion, the Financial Sector Blueprint 2022-2026 aims for the development of social finance as enabler for social development in Malaysia. The identification of the main challenges faced by M40 highlighted in 12th Malaysian Plan 2021-2025 that has difficulties to get financial assistance from social finance programme are able to be achieved through the establishment of framework that are able to bridge Islamic digital bank as an institution to provide social finance instruments to M40 income group. The support of the Government of Malaysia and Bank Negara Malaysia as main regulator for banking industry are important towards development of the social finance in Malaysia that contributes to all level of communities and nation. The establishment of Islamic digital bank that form part of digitalisation initiatives under Financial Sector Blueprint 2022-2026 not only to support M40 in difficulties but also is targetted to contribute 25.5% of the digital economy to Gross domestic product (GDP) by 2025 and

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