



Changing Lives for the Better...

Together

Charity made transparent,
impactful and easy

For the period of **January 2018** until **September 2020**

“

Indeed, the men who practice charity and the women who practice charity and [they who] have loaned Allah a goodly loan – it will be multiplied for them and they will have a noble reward. [Surah Al-Hadid, 57:18]

”

Sadaqa (volunteering charity), is extolled in Islam, when done in humility and with an open heart.

There are many decrees in the Quran and sayings attributed to Prophet Muhammad (Sallallahu Alaihi Wasallam), such as *“The charity you give will be your shade on the Day of Judgement”*

[Hadith, Tirmizi], that bid Muslims to help those in need. Sadaqa can come in any form – a smile, a helping hand, a meal or a financial contribution.

Through Sadaqa House, Bank Islam has created a platform that gathers financial contributions, big and small towards making a meaningful impact that adds a positive difference to the lives of those in need.



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**MESSAGE
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We are also committed to uphold a robust governance structure and rigorous internal processes in Sadaqa House's operations to assure you that your contributions are making a positive impact to the lives of their recipients and to our communities as a whole.

Message from

CEO

The core principle that separates Islamic Finance from traditional banking is the idea that financial transactions are not only concerned with material wealth but must also take into consideration Islamic principles and the impact those transactions make on society's wellbeing.

With that principle in mind, Bank Islam introduced Sadaqa House in 2018 as part of our initiatives in creating Value-Based Intermediation with the aim of integrating a participatory funding platform with Bank Islam's governance, experience and infrastructure in traditional banking to promote positive social impacts.

Since its launch, Sadaqa House has strived to maximise the social impacts from donations distributed on behalf of donors to various carefully selected charity projects. We strive to ensure that the funds entrusted by donors and faith placed on us are used in the most appropriate ways possible.

While we are heartened by the donations and support this platform has attracted, we continue to engage with our stakeholders to enable us in creating bigger positive impact. We are also committed to uphold a robust governance structure and rigorous internal processes in Sadaqa House's operations to assure you that your contributions are making a positive impact to the lives of their recipients and to our communities as a whole.

Recognising that building a better society begins with assisting the most vulnerable and disenfranchised, we from Bank Islam graciously thank all our donors for your generosity and kindness. Please enjoy reading this inaugural report and we hope for your continued support in the future.

Mohd Muazzam Mohamed

Chief Executive Officer
Bank Islam Malaysia Berhad

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Embodying a true Malaysian spirit, Sadaqa House practices an inclusive approach in terms of its policies. Both Muslims and non-Muslims are welcomed and served by Sadaqa House.

Who

WE ARE

Sadaqa is all about wealth distribution - the highest process in managing wealth from an Islamic perspective.

Sadaqa House facilitates this initiative of giving back to society by playing a vital role as an intermediary and meeting point between donors, change-makers and beneficiaries.

It is a charity crowdfunding platform where potential donors and charity projects meet at a common point facilitated by Bank Islam to fulfil the needs of both donors and beneficiaries.

Aimed to deliver positive and sustainable impact, every aspect of the process is implemented with good governance and

professional fund management, instilling greater trust and assurance that contributions to Sadaqa House are channelled towards impactful projects that benefit lives directly.

Embodying a true Malaysian spirit, Sadaqa House practices an inclusive approach in terms of its policies. Both Muslims and non-Muslims are welcomed and served by Sadaqa House as donors and beneficiaries.

This approach comes from Bank Islam's belief that opportunities should be open to all in propagating a philanthropic culture and helping all Malaysians to manage their donations from end-to-end.



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Sadaqa House adopts a comprehensive assessment on every change-maker including anti-money laundering (“AML”) appraisal. Every change-maker must be approved by the Sadaqa House & Zakat Committee.

There are **four main focus sectors** where Sadaqa House channels its fund for sustainable positive impacts. These are in line with the underpinning thrust of Bank Negara Malaysia's Guidance Documents on Value-Based Intermediation ("VBI") for Islamic banks.



EDUCATION

Sadaqa House aims to support community efforts to ensure every children have access to quality education with an emphasis on holistic student outcomes.



HEALTH

Sadaqa House aims to support underserved communities to have access to quality health treatment.



ENVIRONMENT

Sadaqa House aims to protect natural capital and resources through the raising of environmental consciousness as well as supporting renewable energy efforts.



COMMUNITY EMPOWERMENT

Sadaqa House aims to enable and support community-led actions that strengthen social cohesion and inclusivity through sustainable economic and social empowerment within communities.



Historical

MILESTONES

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“

It is, therefore, my wishful thought that from now on Islamic banking and finance will embark on efforts to develop products and services for the social welfare sector.

”

**Dato' Dr Abdul
Halim Ismail**

The idea of Sadaqa House was first mooted by Dato' Dr Abdul Halim Ismail, the first Managing Director of Bank Islam, when he received the Royal Award for Islamic Finance in 2014.

His wish was to implement Sadaqa House as an Islamic banking product. In his public lecture, he envisioned the establishment of an institution governed by a regulator to provide products and services to collect various types of social welfare funds such as sadaqah, waqf and, hibah from the private sector and distribute

these to the poor and needy in our society.

Inspired by his vision, Bank Islam has cooperated with Kolej Universiti Islam Antarabangsa Selangor (“KUIS”) through its International Research Centre of Islamic Economics and Finance (“IRCIEF”) to initiate a study on the viability of the idea to be implemented within a banking framework.

The chronological development of Sadaqa House:



2 September 2014

Dato' Dr Abdul Halim Ismail mooted the idea of Sadaqa House in his speech as the Royal Award for Islamic Finance 2014 winner in conjunction with Global Islamic Finance Forum 2014.



20 October 2014



Bank Islam cooperated with IRCIEF in commencing research on the viability of Sadaqa House within the Islamic banking framework. The research focused on four areas:

- Shariah;
- Legal;
- Taxation; and
- Governance.



29 October 2015

Seminar on Sadaqa House was held at Menara Bank Islam, Kuala Lumpur, organised by Bank Islam and IRCIEF.



19 April 2017

Seminar on Zakat, Waqf & Sadaqah and the launch of Sadaqa House Green Report was organised by Bank Islam and IRCIEF in Kuala Lumpur.

The Chief Shariah Officer of Bank Islam served as a steering committee member together with Dato' Dr Abdul Halim Ismail and Professor Dato' Dr Abdul Halim Tamuri (Rector of KUIS).



22 November 2017

The Sadaqa House Book was launched at World Islamic Economic Forum 2017 in Kuching, Sarawak. The publication of the book was sponsored by Bank Islam.

19 January 2018



Sadaqa House was launched during Karnival Kewangan Bank Negara Malaysia at Alor Setar, Kedah as a strategic initiative under VBI agenda.



January 2020

Sadaqa House was internationally recognised when the initiative received Best Social Finance Initiative Award from Cambridge International Financial Advisory in conjunction with Islamic Retail Banking Award 2019.



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OUR *Business* PROCESS

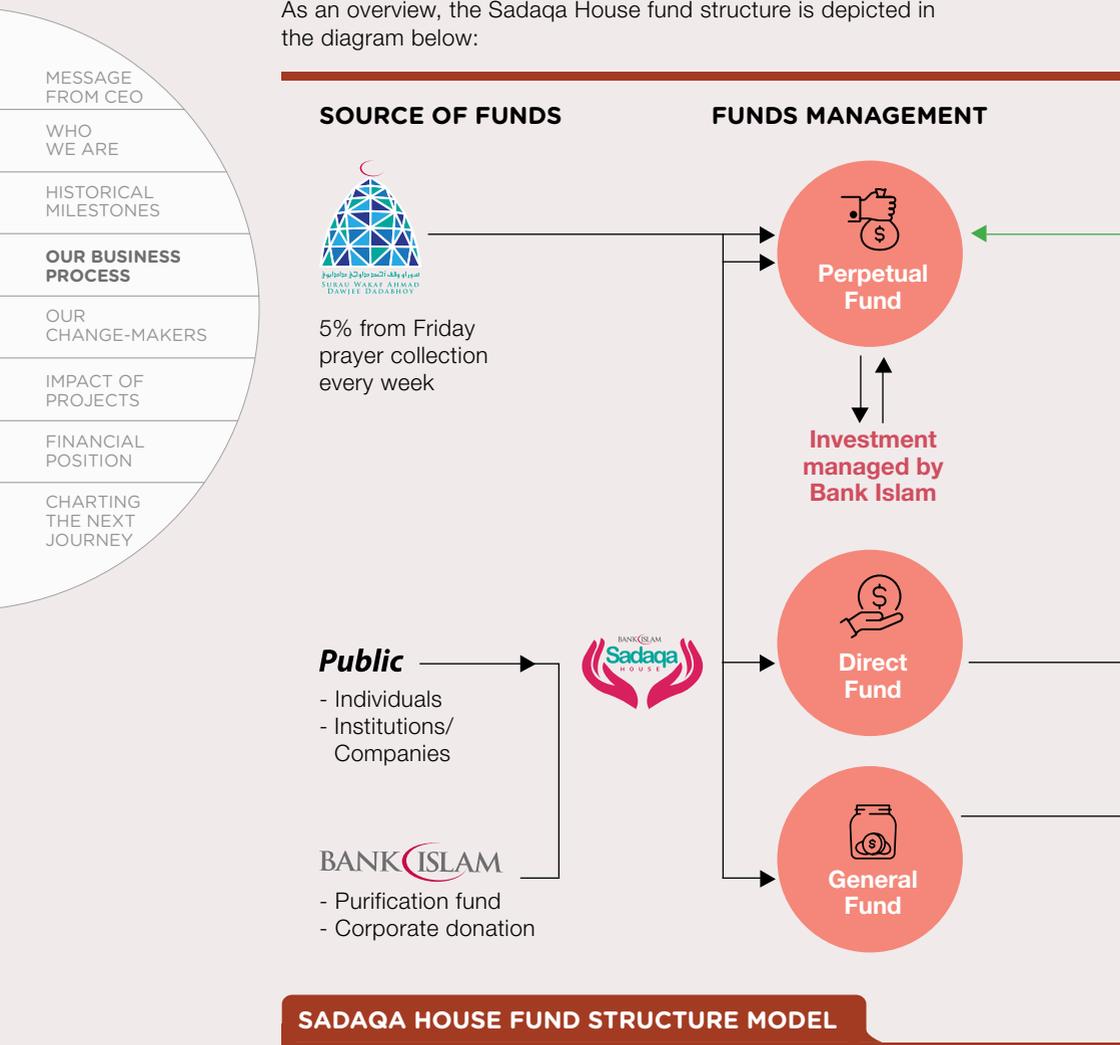
We are heartened by the donations this platform has attracted and are committed to constantly engage with our stakeholders to improve the processes and governance procedures that assure your contributions are making a positive difference to the lives of targeted beneficiaries.

Sadaqa House is a charity crowdfunding platform where potential donors and charity projects meet at a common point facilitated by Bank Islam.

Bank Islam, through Sadaqa House, provides value-added services to collect, manage and distribute donations from the public by channelling such funds towards identified charity projects that realise positive outcomes for underserved communities within selected focus sectors.

DONATION & DISTRIBUTION PROCESS

As an overview, the Sadaqa House fund structure is depicted in the diagram below:



FUNDS DISTRIBUTION

Fund 1: Donation received will be invested and only returns will be distributed to beneficiaries/projects

Fund 2: Direct distribution through microfinance via change-makers. The principal and profits (if any) will be returned to the Perpetual Fund

The funds will be distributed to the donor's selected projects

The funds will be distributed at the discretion of the Sadaqa House & Zakat Committee

Change-makers

Project

1

Project

2

Project

3



General
Recipients

FUND CATEGORIES

Based on the selection of donors, donation funds through Sadaqa House will be categorised accordingly:



Perpetual Fund

Where the principal of the fund is invested or placed in a Shariah-compliant financial instrument approved by the Sadaqa House & Zakat Committee. Any profits or returns from the investment will be channelled to specific projects for distribution.

Beginning December 2020, Sadaqa House will provide micro-financing to eligible 'underbanked' micro-entrepreneurs from this fund. The product is named BangKIT microfinance.



Direct Fund

Where the fund is directly disbursed and utilised for a specific charity project was chosen by donors.



General Fund

Where donors do not specify the charity project and the distribution of the fund is at the discretion of the Sadaqa House & Zakat Committee.

MANAGEMENT OF FUND

Sadaqa House ensures good governance is adopted and implemented in the end-to-end process of managing donation funds from the public.

Sadaqa House is operated by the Centre of Social Finance of Bank Islam and is guided by Sadaqa House Management Guideline, which was approved by the Management Risk Control Committee and Shariah Supervisory Council of the Bank. The Sadaqa House & Zakat Committee is the dedicated management sub-committee that provides oversight and direction on the strategies, processes, and activities of Sadaqa House.

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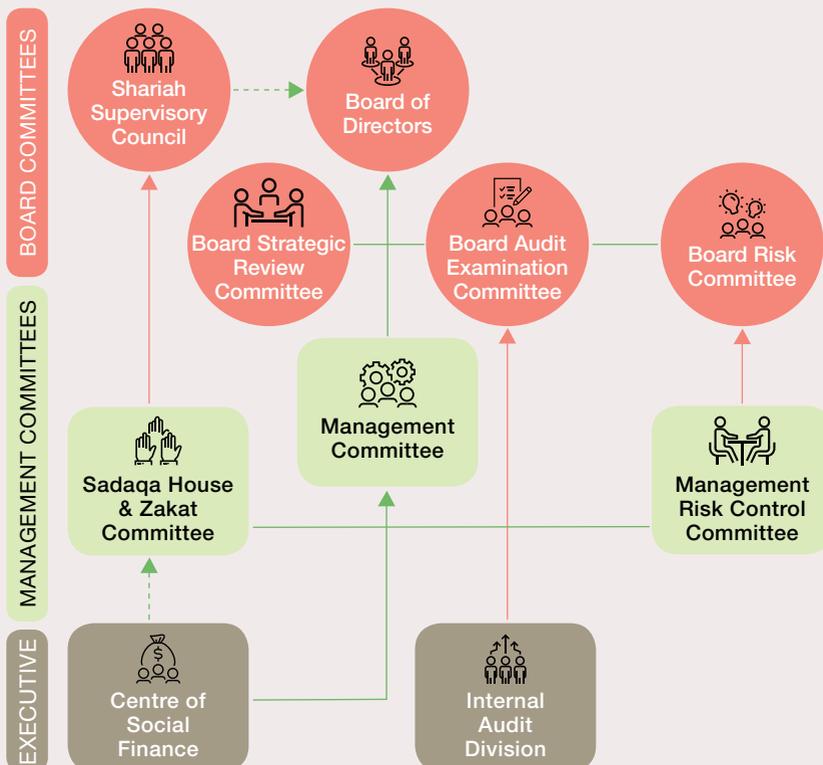
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GOVERNANCE OF SADAQA HOUSE

In managing the public donations of Sadaqa House, the Bank remains steadfast in promoting and sustaining a strong culture of corporate governance in order to protect the interests of all stakeholders, including the donors and beneficiaries. In this respect, the Board is fully committed to adopting high standards of business integrity, ethics and professionalism with the right executive leadership and strategy. At the same time, the Board ensures internal controls, risk management and compliance to Shariah rules and principles govern all of the Bank's initiatives, including Sadaqa House.

To achieve the said objectives, the Board adopts the requirements of Bank Negara Malaysia ("BNM")'s Corporate Governance Policy issued on 3rd August 2016, Malaysian Code of Corporate Governance 2012 and other relevant requirements as outlined under the respective policy documents by BNM.

The governance structure in managing Sadaqa House is illustrated below:



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Governance Organs

Roles and Responsibilities



Board of Directors

- The Board has the overall responsibility to establish an effective governance arrangement to facilitate effective monitoring and controlling of the overall management and conduct of the Bank which includes Sadaqa House.



Shariah Supervisory Council ("SSC")

- Advise and provide clarification on relevant Shariah rules and principles in operating Sadaqa House funds.
- Ensure information published in promotional materials, manuals and other publications used in the Sadaqa House fund operations are in compliance with Shariah principles.
- Issue an annual confirmation report on the Shariah compliance status of Sadaqa House.



Board Strategic Review Committee ("BSRC")

- Assist the Board to oversee, supervise and monitor the implementation of identified key strategic matters that the Board has endorsed or approved, including the Bank's initiatives to become the leading Islamic bank for social finance.
- Sadaqa House is one of the strategies that is closely monitored by BSRC through frequent updates for deliberation.



Board Risk Committee ("BRC")

- Assist the Board in ensuring that a sound and robust risk management framework, as expected by BNM, is in place and effectively implemented. The BRC provides an independent oversight on the Sadaqa House activities in managing credit risk, market risk, operational risk, legal risk, Shariah risk and other risks, and ensures that the risk management process is in place and functioning.
- Approve the establishment of guidelines and procedures for end-to-end management of Sadaqa House.
- Quarterly performance reports of Sadaqa House are presented to BRC for notification and deliberation.

Governance Organs

Roles and Responsibilities



Board Audit Examination Committee ("BAEC")

- Review the effectiveness of internal controls and risk management processes of Sadaqa House.
- Review audit reports on Sadaqa House and ensure appropriate necessary corrective actions have been taken in timely manner to address control weaknesses, policies and other problems identified by the internal audit and other control functions.



Management Risk Control Committee ("MRCC")

- Responsible for performing the oversight functions to ensure effective risk management of key issues related to the overall risk management of Sadaqa House.
- Quarterly performance reports of Sadaqa House are presented to MRCC for notification and deliberation.



Sadaqa House and Zakat Committee ("SHZC")

- Assist MRCC in performing independent oversight and provide direction in respect of the management, operations and performance of Sadaqa House.
- Evaluate and approve the selection of change-maker, project/campaign as well as any relevant third party service provider for Sadaqa House.
- Evaluate and approve investment and placement of Sadaqa House funds.
- Monitor the progress of fund collection and project performance.
- Evaluate and approve the request for disbursement of the fund.



Internal Audit Division ("IAD")

- Responsible for providing independent assurance to Board of Directors and Senior Management that risk management processes and tools of Sadaqa House are effectively implemented.
- Undertake annual audit exercise on Sadaqa House operations and issue annual audit report to the Board's Audit and Examination Committee for deliberation and decision-making.

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Sadaqa House & Zakat Committee as at September 2020:

Chairman

Mohd Nazri Chik
General Manager,
Strategic Relations

Vice Chairman

Saiful Anuar
Hambali
Head of Shariah
Division

Member

Iskandar Shah
Zulkarnain
Chief Human
Resources Officer

Mohd Noor Jab
Head, Deposit and
Cash Management

Wan Mazlan Wan
Johari
Deputy Chief
Compliance Officer

Noor Zuraida
Mohd Tahir
Assistant General
Manager, Finance

Shaiful Zahid
Hassan
Assistant General
Manager, Operational
Risk Management

Sazrin Mohd Razak
Head, Strategic
Planning

Siti Mahani
Sh. Ab Ghani
Senior Manager,
Group Corporate
Communications

Sadaqa House performs due diligence on behalf of the donors through the following:



Assessment and annual review of change-makers

It is crucial to ensure that the change-makers included by the platform are reputable and capable of carrying out the charity projects carried out by them. Selected change-makers must provide scalable and sustainable social impacts of their projects.

Sadaqa House adopts comprehensive assessment on every change-maker including anti-money laundering (“AML”) checking. Every change-maker must be approved by the Sadaqa House & Zakat Committee. On an annual basis, a review will be performed on the appointed change-makers to ensure their operations and directions are aligned with Sadaqa House’s requirements.



Assessment of beneficiaries

All beneficiaries under Sadaqa House will be assessed to ensure their eligibility and genuine need for support. The assessment includes AML checking. All beneficiaries must be approved by the Sadaqa House & Zakat Committee.



Charity project viability and deliverables

Sadaqa House ensures its team members conduct thorough assessment on the viability of charity projects as well as track their progress. Reports are escalated to the Sadaqa House & Zakat Committee on a frequent basis.

CHANNEL OF CONTRIBUTION:

Funds transfer



SADAQA HOUSE
140 140 101 88888
Bank Islam Malaysia Berhad

Bank Islam Credit Card-i



Through the redemption of Trupoints Rewards at
<https://trurewards.bankislam.com.my> (Category Product: Welfare)

SnapNPay



- i. Download the SnapNPay application via **Play Store** (Android) or **App Store** (iOS)
- ii. Scan the QR code image
- iii. How to donate
 - a. Select recipient
 - b. Insert donation amount
 - c. Follow the steps displayed to complete the payment

Website Sadaqa House



<https://www.sadaqahouse.com.my> (Click **Donate** button)

Boost Application



- Step 1** – Download the Boost application via **Play Store** (Android) or **App Store** (iOS)
- Step 2** – Click button '**Charity**' and choose **Sadaqa House**
OR
Click '**Scan & Pay**', Scan the **QR code** Sadaqa House and
- Step 3** – Follow the steps displayed to complete the payment

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OUR Change-Makers

- Institut Jantung Negara Foundation (“IJNF”)
- Universiti Teknologi Malaysia (“UTM”)
- Yayasan Sultanah Bahiyah (“YSB”)
- MyVista (“MV”)
- Mercy Mission Malaysia (“MMM”)
- Pertubuhan Kegiatan Dakwah Islamiah Sekolah-Sekolah Malaysia (“PEKDIS”)
- Brain For Future (“BFF”)
- Buku Jalanan Chow Kit (“BJCK”)

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INSTITUT JANTUNG NEGARA FOUNDATION ("IJNF")



Year established

1995

Date appointed as Sadaqa House change-maker

16 January 2018

Specific project under Sadaqa House

To provide financial assistance for the paediatric congenital heart disease patients from *asnaf fakir* and *miskin* to undergo heart surgery at Institut Jantung Negara ("IJN")

Brief background

IJNF was established with a mission to engender philanthropic support for the care of heart patients at IJN. IJNF is one of the earliest change-maker to collaborate with Sadaqa House during its establishment. Our collaboration with IJNF focuses on paediatric patients from the underprivileged families.

It is our ardent hope, with financial assistance from Sadaqa House, these children can undergo heart surgery, achieve healthy growth and enjoy a brighter future.

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UNIVERSITI TEKNOLOGI MALAYSIA (“UTM”)

FOCUS
SECTOR



ENVIRONMENT

Year established

Formerly known as Institut Teknologi Kebangsaan (1971-1975), the university was renamed University Teknologi Malaysia in March 1972

Date appointed as Sadaqa House change-maker

14 March 2018

Specific project under Sadaqa House

To provide renewable energy solar system for utilisation by the Orang Asli community and other underserved communities in rural areas

Brief background

This project was undertaken by UTM’s School of Electrical Engineering, Faculty of Engineering, as a means to provide cheaper and more sustainable power to the Orang Asli community and other underserved communities in Malaysia. The higher cost of using diesel generator to produce electricity is unsustainable and non-viable for the community in the long run. With the installation of the solar power system, the cost is minimised.

The first project with UTM at Kampung Orang Asli Woh Intake, Tapah, Perak was completed in February 2020. With almost unlimited electricity supply, children in this area are now finally able to do their school works and study revisions at night.

The subsequent projects that were approved by Sadaqa House and Zakat Committee are Kampung Orang Asli, Terowoh, Mersing and Kampung Nelayan Atas Air, Tanjung Surat, Johor.

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YAYASAN SULTANAH BAHYAH (“YSB”)

FOCUS
SECTOR



COMMUNITY
EMPOWERMENT

Year established

1996

Date appointed as Sadaqa House change-maker

19 January 2018

Specific project under Sadaqa House

Financial assistance for the purchase of business equipment for women micro-entrepreneurs from the B40 families in Kedah

Brief background

Yayasan Sultanah Bahiyah (“YSB”) performs as an agent of change in community works through its education, community development, health and youth as well as training initiatives.

Together with Sadaqa House, YSB identifies and supports women entrepreneurs who are keen to expand their businesses and improve their economic circumstances.

It is believed that such improvements will benefit their families as well as the surrounding community.

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MYVISTA (“MV”)



Year established

2013

Date appointed as Sadaqa House change-maker

25 September 2019

Specific project under Sadaqa House

Financial assistance for the production of 3D prosthetic limbs for disabled children from *asnaf fakir* and *miskin* backgrounds

Brief background

MyVista was established as a “Social Entrepreneur”. Led by Encik Sujana Rejab (well-known as Pak Su), its main mission is to fabricate 3D-printed prosthetic hands and arms at lower cost to help the physically-disabled, especially the children from poor family background.

It is hoped that with the fittings of these 3D-prosthetic limbs, it will help to raise the children’s sense of worth and self-esteem, allowing them to fit better into the society and focus more readily in improving themselves.

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MERCY MISSION MALAYSIA ("MMM")

FOCUS
SECTOR

COMMUNITY
EMPOWERMENT

Year established

2012

Date appointed as Sadaqa House change-maker

11 October 2019

Specific project under Sadaqa House

Financial assistance to address malnutrition among primary school children from *asnaf fakir* and *miskin* backgrounds

Brief background

Mercy Mission Malaysia is implementing its food assistance project for school children conditional upon their consistent attendance at school. The monthly food assistance ensures that these children will receive enough nutrients for their growth and development. This will lead to better learning ability as well as enables stronger bonds and relationships between the parents and teachers.

By reducing the rate of absence to schools, children can receive a better education and will be able to contribute to a better future for their families.

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PERTUBUHAN KEGIATAN DAKWAH ISLAMIAH SEKOLAH-SEKOLAH MALAYSIA (“PEKDIS”)

FOCUS
SECTOR



EDUCATION

Year established

2004

Date appointed as Sadaqa House change-maker

6 March 2020

Specific project under Sadaqa House

Financial assistance for developing, restoring, equipping and decorating eligible *suraus* and *musollas* at schools under the supervision of Bahagian Pendidikan Islam and Kementerian Pendidikan Malaysia, upon criteria determined by Pertubuhan Kegiatan Dakwah Islamiah Sekolah-Sekolah Malaysia

Brief background

Pertubuhan Kegiatan Dakwah Islamiah Sekolah-Sekolah Malaysia was founded by Bahagian Pendidikan Islam as a non-governmental platform to spearhead human capital development among Muslim students in the schools nationwide.

Collaboration with PEKDIS focuses on giving equal opportunities to school children by having a good *sarau* and *musolla* in the schools so that teaching and learning processes can be diversified and a bigger impact can be made in shaping and nurturing the discipline and attitude of the children.

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FOCUS
SECTOR



EDUCATION

BRAIN FOR FUTURE (“BFF”)

Year established

2015

Date appointed as Sadaqa House change-maker

2 May 2019

Specific project under Sadaqa House

To provide financial assistance to tertiary students in Malaysia who are from families with poor economic-backgrounds

Brief background

Brain For Future is a non-governmental organisation working to alleviate poverty by offering financial aid to underprivileged university students, especially those in their 3rd and 4th year of studies. The objective of the assistance is to ensure that these students will be able to complete their studies without any financial setback.

Founded with a vision ‘To End Poverty Through Education’, their mission is to ensure a non-disruptive education through financial aid and mentoring to the underprivileged students, which will ultimately break the poverty cycle.

It is hoped that these successful students will be able to secure good careers after graduation, contribute to their underprivileged juniors, become good examples for their underprivileged juniors in the campus, as well as contribute to their development and successful completion of their studies.

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BUKU JALANAN CHOW KIT (“BJCK”)

FOCUS
SECTOR



EDUCATION

Year established

2016

Date appointed as Sadaqa House change-maker

2 May 2019

Specific project under Sadaqa House

Financial assistance for the operation of a centre that provides access to quality education for underserved children in the Chow Kit area

Brief background

Buku Jalanan Chow Kit is a non-governmental organisation aimed at providing equal education opportunities to children in the Chow Kit area, including stateless children. The underserved children in that area are exposed to prevalent social problems and are at risk of dangers such as human trafficking.

With quality education, it is hoped that these children will be able to break free from their families’ cycle of poverty and build better futures for themselves.

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A woman wearing a blue hijab and a grey top is sitting at a desk, reading a book with a young boy. The boy is wearing a red t-shirt and is also looking at the book. They are in a library or study area with bookshelves in the background.

Impact

OF PROJECTS

"When you give someone charity be thankful to them. You may be fixing their Dunya, but they are fixing your Akhirah."

[Dr Bilal Philips, Islamic Scholar and author]

Projects that benefit from Sadaqa House contributions are selected, monitored and reviewed to ensure that real benefits are delivered to make a real difference to real lives.

HEART SURGERY FOR
UNDERPRIVILEGED
PAEDIATRIC PATIENTS



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As IJN Foundation is the earliest change-maker for Sadaqa House, we have disbursed the amount of RM686,000 within three years and benefitted 57 congenital heart disease paediatric patients from underserved families.

Alhamdulillah, with the donation, these children have successfully

undergone heart surgery at Institut Jantung Negara. We were blessed to see the happy faces of their parents.

We continue to pray for their good recovery and hope to see them healthy and able to join their peers in school for a quality education soon.

► **FIRST BATCH:**
MAY 2018

RM110,000
 8 PAEDIATRIC PATIENTS

► **SECOND BATCH:**
MAY 2019

RM214,500
 12 PAEDIATRIC PATIENTS

► **THIRD BATCH:**
JAN-SEPT 2020

RM361,500
 37 PAEDIATRIC PATIENTS



**TOTAL AMOUNT
 CHANNELLED
 THROUGH IJN
 FOUNDATION:**

RM686,000



**TOTAL NUMBER OF
 BENEFICIARIES
 TO DATE:**

57

**PAEDIATRIC PATIENTS
 FROM POOR FAMILIES**



INSTALLATION OF SOLAR PANEL SYSTEM AT KAMPUNG ORANG ASLI WOH INTAKE, TAPAH, PERAK

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Another fulfilling experience came about when donations from members of the public contributed to the success of a solar system installation project at Kampung Orang Asli Woh Intake in Tapah, Perak.

By having a solar system professionally installed by the electrical engineering experts from UTM, with assistance by students from Institut Latihan Perindustrian (“ILP”) Kepala Batas, Pulau Pinang, the community is now enjoying almost limitless benefit of light at night and children of the village are finally able to revise better and complete their school homework at night.



DISTANCE:
16 km from main road
Tadah - Cameron
Highlands

ELECTRICITY CHALLENGE:
No supply from TNB;
relying on generator
set.

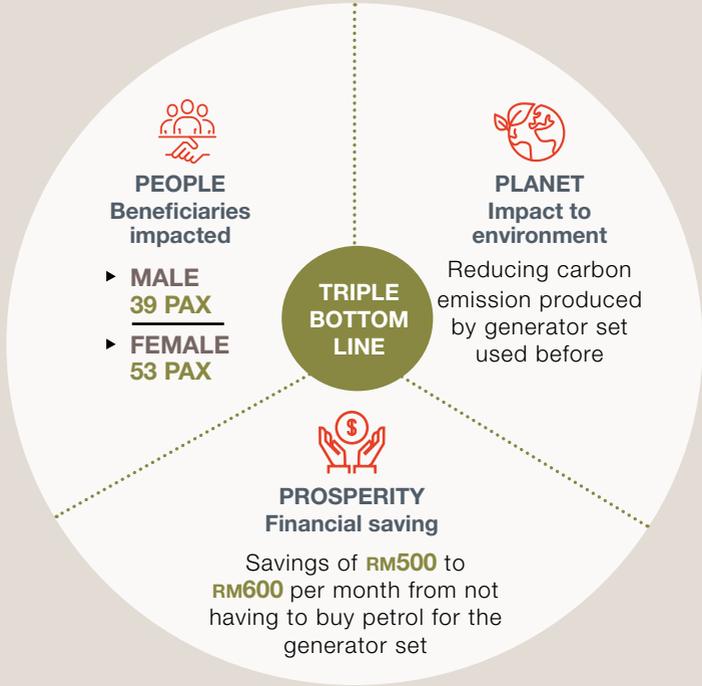
PROJECT VALUE
RM95,000

START DATE
MARCH 2018

**INSTALLATION
COMPLETED**
27 SEPTEMBER
2019

HANDING OVER
29 FEBRUARY 2020
By Vice Chancellor
UTM & CEO of
Bank Islam

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CONTRIBUTION OF EXPERTISE

School of Electrical Engineering, Faculty of Engineering UTM, Skudai
4 lecturers

ILP Kepala Batas
2 lecturers;
20 students

Dekad Aliran Sdn. Bhd. (Supplier of the solar system)
3 workers

SUPPORT FROM LOCAL AUTHORITIES

Jabatan Kemajuan Orang Asli ("JAKOA"), Tapah, Perak

Pejabat Agama Islam Daerah Tapah, Jabatan Agama Islam Perak

BENEFIT TO CHANGE-MAKERS/COLLABORATORS

UTM

- ▶ Developing R&D expertise
- ▶ Providing PV Edukits to beneficiaries

ILP KEPALA BATAS

- ▶ Practical wiring project for about 20 students

SEPT 2020

SADAQA HOUSE HAS APPROVED **RM202,000.00** FOR UTM TO DELIVER TWO (2) SOLAR POWER ENERGY PROJECTS BY THE YEAR 2021 FOR THE FOLLOWING COMMUNITIES:

KAMPUNG ORANG ASLI, TEWOWOH, MERSING, JOHOR WITH PROJECT COST OF

RM114,200.00

KAMPUNG NELAYAN ATAS AIR, TANJUNG SURAT, JOHOR WITH PROJECT COST OF

RM87,800.00



EMPOWERING WOMEN ENTREPRENEURSHIP

Through our collaboration with Yayasan Sultanah Bahiyah in Kedah, we disbursed an amount of RM38,301.79 to 16 women micro-entrepreneurs from poor families to finance the purchase of their business equipment. We hope it will help to expand their businesses and, in turn, improve the quality of life of their children, families and the surrounding community.

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SUPPORT FOR UNDERPRIVILEGED TERTIARY STUDENTS



AMOUNT DISTRIBUTED

RM41,650.00

BENEFICIARIES IMPACTED

30 STUDENTS

* Students who received the benefits are from poor and needy families.

Brain for Future (“BFF”) was founded with a vision ‘To End Poverty Through Education’. Its mission is to ensure a non-disruptive education through financial aid and mentoring to underprivileged tertiary students, specifically those in their 3rd, 4th and final year.

BFF aims to fill in the gap where financial assistance received from PTPTN, JPA and Zakat might not be enough to meet the rising living expenses in urban cities. To receive financial aid from BFF, the candidates have to go through a rigorous interview process to assess their financial standings.

1ST GROUP: JANUARY 2020

COMPOSITION OF STUDENTS RECEIVING BENEFITS ACCORDING TO UNIVERSITY:



**Universiti
Malaysia
Sabah**

23

STUDENTS

**Universiti
Malaysia
Terengganu**

5

STUDENTS

**Universiti
Malaysia
Sarawak**

1

STUDENT

**Universiti
Pendidikan
Sultan Idris**

1

STUDENT



GIVING DISABLED CHILDREN A "HAND"

MyVista is a 'Social Entrepreneur' that specialises in producing 3D-prosthetic limbs for children with disabilities from low-income families. Its founder, Encik Sujana Rejab, is a former primary school teacher and an inventor of prosthetics limbs through 3D printing technology.

Previously, MyVista has helped over 50 children from underprivileged backgrounds to overcome their embarrassment of being handicapped, from missing an arm, by fitting them with robotic arms at almost a negligible cost.

In 2020, the four children who benefited from this project by receiving their prosthetic hands were:

1. Adik Muhammad Arif Abdullah (**RM5,000**)
2. Adik Nur Qalesya Noor Sazalli (**RM5,000**)
3. Faiz Alian Mohd Zamre (**RM6,500**)
4. Muhammad Syazwi Najmie Abu Bakar (**RM7,500**)

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BENEFICIARIES IMPACTED

4 CHILDREN

AMOUNT DISTRIBUTED TO BENEFICIARIES

(JAN-SEPT 2020)

RM24,000.00

AMOUNT DISTRIBUTED TO MYVISTA

(11 DECEMBER 2019)

RM13,888.00

(To purchase a new printing machine that can produce better quality 3D electronic counterfeit hands as well as reduce production costs)



PREVENT MALNUTRITION AMONG PRIMARY SCHOOL CHILDREN (“MMM”)

Mercy Mission Malaysia’s ‘Feeding to Educate’ programme is aimed at providing complete nutritional food assistance to students from underprivileged families. This is a unique programme as it ensures that these families will not need to rely on their children for supplemental income and thus allows the children to focus on their education. MMM aims to ensure this by working with public schools, *madrasahs*, refugee centres, and orphanages to provide continuous food assistance to the affected families.

Through contributions from Sadaqa House, MMM helps to provide monthly supply of RM50 worth of food to 40 selected students from Sekolah Kebangsaan Simpang Ampat, Perlis, for up to a year.



**AMOUNT
DISTRIBUTED**

7 AUGUST 2020

RM24,000.00



**BENEFICIARIES
IMPACTED**

40 PEOPLE

* Students and their family members



TEACHING AND LEARNING PROCESSES DIVERSIFY FOR A BIGGER IMPACT

PEKDIS was appointed as a Sadaqa House change-maker in February 2020.

All Islamic Education Teachers need to be members of the organisation to support and assist the activities of Islamic *da'wah* at schools as well as to safeguard the welfare of students.

With 16 branches nationwide, PEKDIS can easily identify schools that require funds from Sadaqa House.

The first two (2) approvals by Sadaqa House and Zakat Committee are for deserving rural schools namely SK Pinausuk, Ranau, Sabah and SK Sungai Berua, Kuala Berang, Terengganu.

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**AMOUNT
DISTRIBUTED**

SEPTEMBER 2020

RM89,090.00

**BENEFICIARIES
IMPACTED
2 SCHOOLS**

- * SK Pinausuk, Ranau, Sabah RM50,000.00 and
- * SK Sungai Berua, Kuala Berang, Terengganu RM39,090.00





ALLOCATE TRANSPORT FACILITIES FOR UNDERSERVED CHILDREN (“BJCK”)

In addition to receiving assistance for the daily management of the learning centre, BJCK was also in need of transport assistance.

Starting from the participation of the BJCK football team in the Sunway Dream League, the need to have its own transport has been voiced to Sadaqa House.

Moreover, they need it to deliver equipment as well as food for their catering businesses that helps to increase BJCK’s income.

Through continuous contribution from the public, on 7 August 2020, a van has been handed over to BJCK.





MAJLIS PENYERGAM SUMBANGAN SADAQAH

JUMAAT, 7 OGOS 2020 | MENARA BANK ISLAM

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PERAHAN SADAQA HOUSE

KUALA LUMPUR

ANGAN
IN
H HAZIQ

SEG

Financial

POSITION AS AT 30 SEPTEMBER 2020

► *“With Him are the keys of the unseen, the treasures that none knoweth but He. He knoweth whatever there is on the earth and in the sea. Not a leaf doth fall but with His knowledge: there is not a grain in the darkness (or depths) of the earth, nor anything fresh or dry (green or withered), but is (inscribed) in a record clear (to those who can read).” [Surah Al-An’aam, 6:59]*

1 FUND COLLECTION

Sadaqa House received donation funds from individuals and institutions through multiple collection channels. Below are the collection data from 2018 until September 2020:



PERPETUAL FUND

2018	2019
RM200,000.00	RM93,046.80
JAN-SEPT 2020	
RM2,036,837.15	
TOTAL	
RM2,329,883.95	

- Perpetual Fund consists of perpetual contributions from public donors (individual and institution) and 5% of Friday Prayer collection from Surau Wakaf Ahmad Dawjee Dadabhoy ("SWADD"), Menara Bank Islam.



GENERAL FUND

2018	2019
RM60,306.03	RM166,803.19
JAN-SEPT 2020	
RM2,661,229.90	
TOTAL	
RM2,888,339.12	

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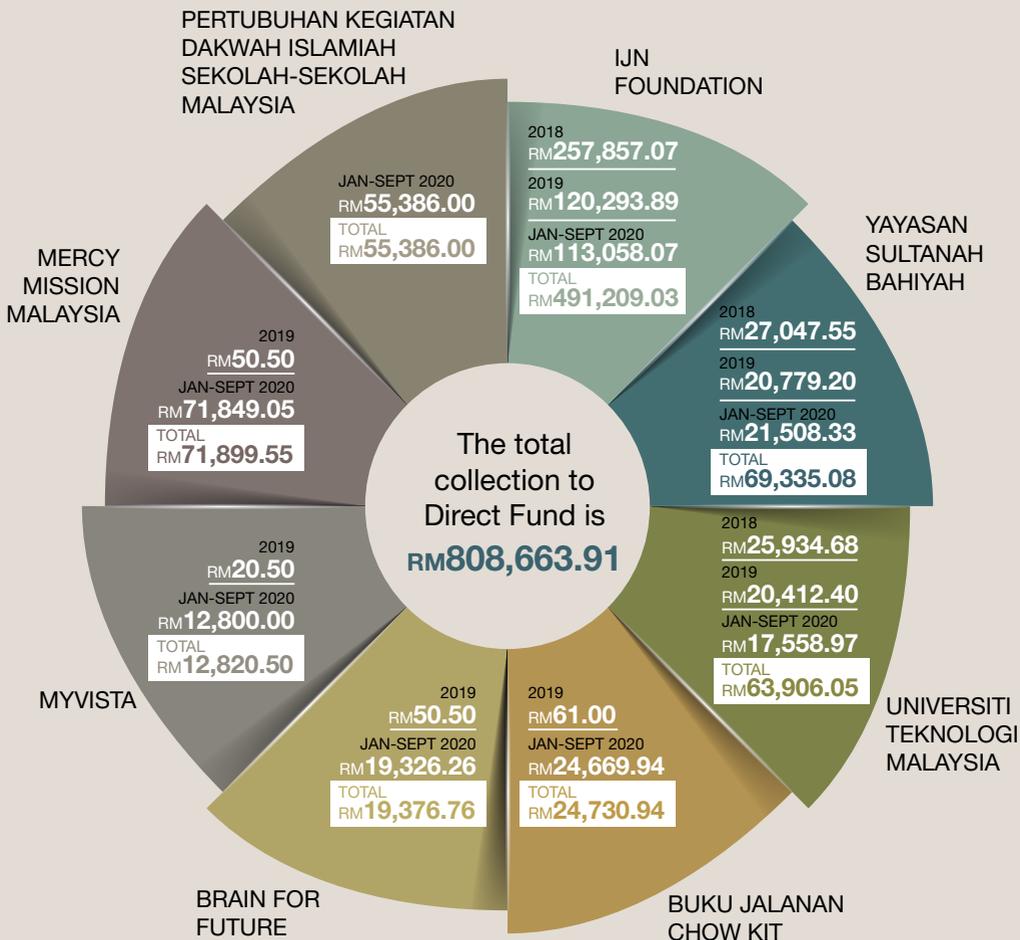
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DIRECT FUND



2

FUND DISBURSEMENT/UTILISATION

Sadaqa House has disbursed the donation fund from Direct Fund and General Fund for projects run by change-makers from 2018 until September 2020 a total of **RM1,372,012.54** as follows:



IJN FOUNDATION

2018
RM **110,000.00**

2019
RM **214,500.00**

JAN-SEPT 2020
RM **361,500.00**

TOTAL
RM **686,000.00**

UNIVERSITI
TEKNOLOGI
MALAYSIA

2019
RM **95,000.00**

JAN-SEPT 2020
RM **202,000.00**

TOTAL
RM **297,000.00**

YAYASAN
SULTANAH
BAHIYAH

2018
RM **4,300.00**

2019
RM **18,536.39**

JAN-SEPT 2020
RM **15,365.40**

TOTAL
RM **38,201.79**



MYVISTA

2019
RM **13,888.00**

JAN-SEPT 2020
RM **24,000.00**

TOTAL
RM **37,888.00**

MERCY MISSION
MALAYSIA

JAN-SEPT 2020
RM **24,000.00**

TOTAL
RM **24,000.00**

PERTUBUHAN
KEGIATAN DAKWAH
ISLAMIAH
SEKOLAH-SEKOLAH
MALAYSIA

JAN-SEPT 2020
RM **89,090.00**

TOTAL
RM **89,090.00**

BRAIN FOR
FUTURE

JAN-SEPT 2020
RM **41,650.00**

TOTAL
RM **41,650.00**

BUKU JALANAN
CHOW KIT

JAN-SEPT 2020
RM **158,182.75**

TOTAL
RM **158,182.75**

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In addition to the projects run by change-makers listed on the following page, Sadaqa House has also contributed to the following recipients directly as tabulated below:

No	Recipients	Purpose	Date	Amount (RM)
1	MyWakaf initiative of Association of Islamic Banking and Financial Institution ("AIBIM") in supporting Majlis Agama Islam dan Adat Istiadat Melayu Perlis ("MAIPs")	Development of Bangunan Wakaf MAIPs – Pusat Dialisis Hospital Tuanku Fauziah, Kangar, Perlis	March 2020	50,000.00
2	YIM Technology Resources Sdn. Bhd. for Jabatan Agama Islam Wilayah Persekutuan	Purchase of movable slaughtering equipment that will be used in offering " <i>ibadah qurban</i> "	July 2020	15,000.00
3	Wakaf Pulau Pinang ("WPP") - an organisation under the administration of Majlis Agama Islam Pulau Pinang ("MAINPP")	Purchase of one (1) unit of Proton Exora 1.6 Premium CVT to be used for promotional activities, publicities, rental collection and as the main vehicle for WPP	July 2020	70,000.00
TOTAL				135,000.00

Total disbursed amount as at 30 September 2020 is **RM1,507,012.54**.

Throughout the period, Sadaqa House has utilised the amount of **RM12.50** from its General Fund to cover remittance cost incurred during the transfer of fund to change-makers and recipients.

3

PLACEMENT/INVESTMENT

Based on the collection above, Sadaqa House has been placing a portion of Perpetual Fund into Term Deposit Tawarruq-i and Wafiyah Investment Account-i in Bank Islam as follows:



From the placement in Term Deposit Tawarruq-i, Sadaqa House has received a profit of **RM12,138.25** to be used for Sadaqa House charity projects.

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Changing Lives for the Better...

Together
Charity made transparent,
impactful and easy

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Charting

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▶ *"You who believe, be steadfast, more steadfast than others; be ready; always be mindful of God so that you may prosper." [Surah Ali-Imran, 3:200]*

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To further amplify social impact, moving forward, Sadaqa House will provide a microfinance facility to eligible underbanked micro-entrepreneurs.

The microfinance facility is funded by a portion of **Sadaqa House's Perpetual Fund**.

The facility is named as '**BangKIT Microfinance**'.

BangKIT

MICROFINANCE

BangKIT MICROFINANCE

BangKIT represents how the facility helps the underbanked micro-entrepreneurs to "get up" and improve financial wellbeing.

The letters **KIT** represents the courses given to borrowers as their "kit" or tool towards success.

OBJECTIVES OF BangKIT MICROFINANCE



To nurture BangKIT microfinance borrowers to have access to commercial banking facilities in order to enable better growth of business



To provide affordable micro-financing to micro-entrepreneurs

04

01

BangKIT microfinance aims to achieve the following main objectives:

03

02



To ensure the donated fund can create social impact in perpetuity through innovative and well-governed sadaqah fund management



To equip borrowers with “inclusive finance” that includes practical business coaching and mentoring for business development and sustainability

OPERATING STRUCTURE OF BangKIT MICROFINANCE

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Donate to Sadaqa House Perpetual Fund



Execute Strategic Collaboration Agreement

Provide report to Bank Islam on the business progress of borrowers

1. Execute financing agreement with Bank Islam
2. Undertake "Ikrar Peminjam Program Pembiayaan Mikro"
3. Repay the loan

1. Disburse financing to approved borrowers
2. Engage frequently with borrowers (if possible) to obtain first-hand information on the business progress of borrowers
3. Assess if borrowers are eligible customers under the SME Banking of Bank Islam in order to get further commercial segment financing from the Bank
4. Perform collection and recovery processes

RISK FACTORS



1. Credit Risk

The risk occurs due to the inability and the unwillingness of BangKIT microfinance borrowers to repay financing granted to them.

The Bank shall work closely with appointed change-makers to monitor the business progress of borrowers as well as their repayment pattern.



2. Shariah Non-Compliance Risk

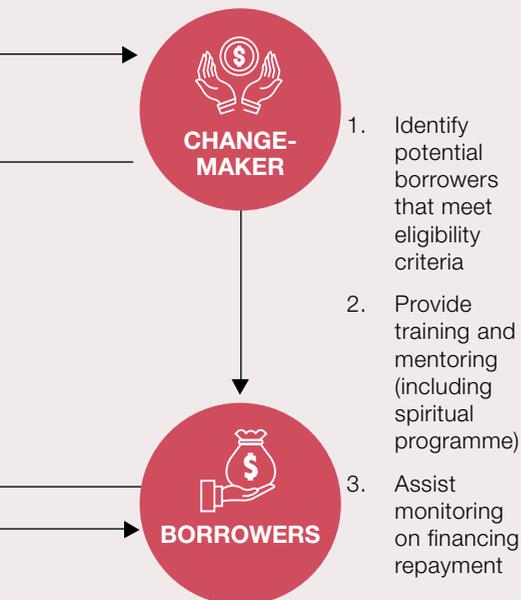
This is a risk where end-to-end management of Sadaqa House is not in line with Shariah rules and principles. The risk is managed by having the Bank's Shariah Supervisory Council oversee the activities of Sadaqa House via frequent reports and other internal control activities of the Bank.



3. Management Risk

Poor management of Sadaqa House funds may cause losses to the funds which in turn may affect the donation amount for social impact. The Bank is able to manage such risk through close monitoring by Sadaqa House & Zakat Committee, which will oversee the activities and performance of Sadaqa House's management.

An annual operation audit will be performed by the Internal Audit Division of the Bank.





4. Risk of Non-Compliance

This is a risk where Sadaqa House funds may be mismanaged due to the personnel's non-compliance with laws or guidelines governing the management of the funds, or where the personnel's acts fraudulently or dishonestly in managing the funds. This may also occur when the personnel does not adhere to the donation mandate by donors, where applicable.



5. Profit Rate and Interest Rate Change Risk

Placement/investment of Sadaqa House Perpetual Fund in Shariah-compliant financial instruments at a fixed rate of profit and/or at a rate that is directly affected or influenced by the rate of interest is connected with the possibility that the current profit or the interest rate at the time of placement/investment could change. For the avoidance of doubt, the aforementioned profit rate and interest rate risk may be applicable in the case of Shariah-compliant financial instruments whose profit rate and/or other rates of return are affected by profit rate or interest rate changes.

RISK MANAGEMENT

Bank Islam has in place proper risk management and governance structures including:

- Strict adherence to Sadaqa House Management Guidelines and any other applicable Bank Islam internal policies and guidelines.
- Strict adherence to the corporate governance process as described in the pages 15-19 of this report; and
- Reduce and mitigate the risks associated with Sadaqa House management by imposing internal controls, compliance monitoring and by virtue of Bank Islam's experience, skills and diligence.

FEES, CHARGES AND EXPENSES



At the moment, Bank Islam does not impose any management and administrative fees on the donations managed within Sadaqa House. In fact, Bank Islam covers most of the operational costs related to the management of the Sadaqa House funds including advertisement and promotional expenses to attract more donations to Sadaqa House funds.



Notwithstanding the above, donors may incur minimal bank charges when making donations into Sadaqa House bank account using various payment channels.



In relation to BangKIT microfinance, Bank Islam needs to collaborate with change-makers to ensure borrowers are well-monitored in terms of business progress and financing repayment capability.



There are certain situations where a change-maker may impose fees on Bank Islam to perform business coaching and mentoring for the success of borrowers in achieving the intended objectives of BangKIT microfinance.

In that context, Bank Islam may consider using a portion of General Fund to cover the fees imposed by such change-makers.

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OVERVIEW OF MICROFINANCE

Key Features	Criteria
Initiative Name	BangKIT microfinance
Shariah Contract	Qard (Loan)
Purpose of Financing	To finance selected unbanked micro-entrepreneurs who require working capital and/or funding for capital expenditure
Eligibility Criteria	<ul style="list-style-type: none"> Registered business with SSM; Have acceptable and viable business plan projecting positive cash flow to repay the loan; Have account with Bank Islam; Individual or group basis; and Must be recommended by change-makers
Financing Limit	<u>Start-up business:</u> Min RM500; max RM3,000 <u>Business expansion:</u> Min RM3,000; max RM20,000
Tenure of Financing	Minimum: 6 months Maximum: 3 years
Collateral	No collateral; where necessary will require social guarantor
Profit Rate	0%
Disbursement Method	Disbursement will be made into borrower's account with Bank Islam, or in case-to-case basis to the vendor
Payment frequency	Monthly instalment or any acceptable mode of payment
Fees & charges	Nil
Training	Customers are required to attend an entrepreneurship training programme that will be organised by Bank Islam and relevant change-makers

Key Features	Criteria
Prospect Post BangKIT Microfinance	<p>Successful borrowers (upon maturity) will be recommended for financing under SME Banking of the Bank (from unbanked/underbankable to bankable)</p> <p>This is the very spirit of Social Finance to nurture the unbanked to become bankable</p>
Additional Conditions	<p>Borrowers are required to undertake “<i>Ikrar Peminjam Program Pembiayaan Mikro</i>” that includes:</p> <ul style="list-style-type: none"> • Embracement of the spirit of “sadaqa”; • Encouragement of giving “sadaqa” to the fund; and • Performance of <i>dhuha</i> prayers and recitation of <i>Surah Al-Waqi’ah</i> on daily basis
Documents Required for Application	<ul style="list-style-type: none"> • Identity card; • Business information (e.g. business type, address, annual income, owner’s information, number of workers, etc); • Proof of income (e.g. Income tax form B, latest 6 months bank statement, etc); • Proof of business operation (e.g. business registration, business permit, etc); • Utility bills; and • Other relevant documents

FUNDING FOR MICROFINANCE

1 Funding for microfinance will be sourced from the Perpetual Fund. For the start, the allocation amount for BangKIT microfinance is RM2 million which was contributed by a donor with a specific mandate for this purpose.

2 Due to the fact the Perpetual Fund is sourced from sadaqah (donation), thus there is no funding cost to the Bank.

3 However, due to the nature of the Perpetual Fund, the Bank has an obligation to collect the financing to ensure the face value of the fund is intact.



APPENDIX



Public Lecture by **Dato' Dr Abdul Halim Ismail**



MY WISHFUL THOUGHT ON THE DEVELOPMENT OF ISLAMIC BANKING AND FINANCE PRODUCTS FOR THE SOCIAL WELFARE SECTOR.

The three-sector Islamic economy

The Islamic economy may be conceived of as being made of three sectors. The first is the Siasi i.e. the Government or Public Sector. In this sector, the Government deals with the Private Sector in the areas of economic activities, administration, maintenance of law and order and the like.

The second sector is the Tijari i.e. the Private Sector. In this sector, people deal among themselves largely in the areas of economic and social activities. This is the nerve centre of the economy.

The third sector is the Ijtimaai that may be referred to as social welfare sector. In essence, funds are raised in the Government Sector and Private Sector and distributed to the poor and the needy in this sector.

The development of Islamic banking and finance products is only for the government sector and private sector

We have thus so far developed Islamic banking and finance products to serve the Government sector in its relationships with the people in its economic and financial dealings. There is now a flow of funds from the Government Sector to the Private Sector and vice versa through various instruments of Islamic banking and finance.

The development of Islamic banking and finance is even more impressive within the private sector for people to conduct economic activities and financial dealings among themselves.

The contractual arrangements or Uqud are also varied focusing on Uqud al-Ishtirak (i.e. profit-sharing), Uqud al-Mudayanat (i.e. debt financing) and so on and so forth.

Another dimension of development in this area are the increasingly cross-border dealings in the international arena. In short, the development of Islamic banking and finance services for the Government Sector and the Private Sector thus far has been comprehensive and impressive.

There is a void in the social welfare sector

However, that situation is in stark contrast to the situation in the social welfare sector.

Both the Government and private sector have a role to play in the social welfare sector. The duties here as we have said earlier, are almost solely to raise funds from the two sectors and distribute these funds to the poor and the needy in the social welfare sector.

And the function of Islamic banking and finance is to develop products and services to facilitate the flow of these funds.



Islamic banking and finance to be in line with Islamic teaching

Islam teaches a holistic approach.

I would like to quote in particular, the following verses from the Al-Quran:

[Such niches are] in mosques which Allah has ordered to be raised and that His name be mentioned therein; exalting Him within them in the morning and the evening.

[Are] men whom neither commerce nor sale distracts from the remembrance of Allah and performance of prayer and giving of zakat. They fear a Day in which the hearts and eyes will [fearfully] turn about.

[Surah An Nur 24: 36-37]

Now, the term *Tijarah* means trade in general. In detail, it includes all the contractual activities of *al-Mudharabah* and *al-Musharakah* and all other profit sharing contract. The term *Bai'* means sale and purchase in general. In detail, it includes all the contractual activities of contract of exchange in cash on deferred such as *al-Murabahah*, *al-Ijarah*, *al-Istisna'* and the like.

Now we may ask: who are these people referred to in these verses as daily dealing in *Tijarah* and *Bai'*? The answer is: a group of them are officers in Islamic banking and finance. They develop the facilities and services of *Tijarah* and *Bai'* in their institutions, they offer them, and they operate them.

And, more, the verses continue to state that while these men and women routinely do just that, this does not cause them to ignore the remembrance of Allah, performance of prayers, and significantly the giving of *Zakat*.

The term *Zakat* is sometimes used interchangeably in Al-Quran with *Sadaqah* or charity. Hence, *Zakat* here may be taken to mean all form of *Uqud al-Tabarru'at* (i.e. contract of charity) which includes *al-Sadaqah*, *al-Waqf*, and *al-Hibah*.

Clearly, therefore, these verses of Al-Quran are referring to the Islamic banking and financial dealings, amongst others, of *Tijarah* and *Bai'* which take place in the Government Sector and Private Sector, and *Zakat* and *Sadaqah*, which are supposed to take place in the Social Welfare Sector.

This then is the holistic development of Islamic banking and finance in the three-sector Islamic economy. It is therefore my wishful thought that from now on the Islamic banking and finance will embark on efforts to develop products and services for the Social Welfare Sector.

This is to be just one new line of development. Other lines of development may continue as usual. Go on innovating but take on this line as a new line of development.

Institutional framework

The service in which we wish to develop revolves around Sadaqah. To make things easy, let us take the existing Takaful Service as a model. And let us call the equivalent of a Takaful Company a Sadaqa House.

Therefore, the Sadaqa house would be in the business of providing products and services to collect various types of Sadaqah, Waqf, Hibah and etc. mainly from the private sector and distribute these to the poor and the needy in the social welfare sector.

The form of organisation of a Sadaqa House might be a foundation formed by the owner or a subsidiary company of the owner. An important requirement here is that the Sadaqa House is owned and controlled by the banking group or any other organisation that has been given the license.

Like a Takaful Company, a Sadaqa House would be a financial institution. It would operate in the Islamic banking system and the Islamic Capital Market. It is therefore under the supervision of Bank Negara Malaysia and the Securities Commission of Malaysia as appropriate.

There should be a need for such an Act of Parliament and various Bank Negara Malaysia Guidelines, which specifically spell out important matters such as licensing of Sadaqa Houses, financial requirements and duties of Sadaqa Houses; ownership, control and management of Sadaqa Houses; powers of supervision and control over Sadaqa Houses, and the like; because Sadaqa Houses will be financial institution operating in the financial system.

Finally, in this area, if I may, I thought that in the initial 5 to 10 years, 3 to 5 licenses may be given to the organisations, preferably from Islamic banking group.

Products and services: A special product of Sadaqah Jariah

We shall now turn to the possible products and services that a Sadaqa House might offer. It might devise a range of products and services through varying the nature of related charities.

For example, it might offer charities for specific or general purposes. Likewise, it might offer one-off, medium-term or long-term charities.



But, I want to turn to a product which I consider to be very crucial in many ways at this stage of the development of Islamic economy in Malaysia. The product is crucial to the giver, with a view to his/her life in the Hereafter (Akhirah); crucial to the receiver, with a view to his/her long term sustenance and climbing out of poverty; and a challenge to the expertise and skills of Islamic banking and finance.

The product is called, in the terminology of the related hadith, Sadaqah Jariah. Sadaqah Jariah means, approximately, charity in perpetuity. Charity, once given, is ongoing.

Abu Hurayrah Rahimahullah reported that Allah's Messenger Sallallaahu'alayhi wa Sallam said:

"When a human being dies, all of his deeds are terminated except for three types: an ongoing Sadaqah, a knowledge (of Islam) from which others benefit, and a righteous child who makes Du'aa for him." (Muslim and others).

The Hadith, in a liberal translation, says that when a person dies, all his/her channels of good deeds from which the reward flows will be stopped, except from the three channels.

Now, let us strategically look at these three sources. Not many of us would have the benefit and opportunity to impart this knowledge, except perhaps for those who work in teaching profession or in Dakwah fields. Similarly, the pious son or daughter may not be reliable.

A person may not have a son or daughter; or he/she has one but the son/daughter may not be pious; or they are pious but unfortunately they may have died before him/her. Thus, the best channel of the three is Sadaqah Jariah.

This channel you can do it yourself here and now. You can plan and implement it as how you want it to be. As Sadaqah Jariah is Charity in Perpetuity, in essence within the category of charity, the principal charity amount is to be preserved intact forever, and only the profits are distributed regularly.

As mentioned earlier, the Sadaqa House might accept this Sadaqah in the form of the many Shariah Contracts of Sadaqah, Waqf, Hibah, etc. but it must make sure that it follows the variants of those contracts which transfer the ownership of the charity to the Sadaqa House in perpetuity. This is in order to maintain the perpetual nature of the Sadaqah.

In my view, it is highly advisable for the Sadaqa House to accept Sadaqah only in cash, but it may also wish to extend this to other Islamic banking and financial instruments such as shares and sukuk which may be converted to cash. The Sadaqa House may accept Sadaqah at a minimum of, say, RM10 at one time at any time through deposit, bank transfers, salary deduction, etc.

I would like to pause a moment here and point out the significance of this event. You may notice that through Sadaqa House, the Islamic banking and financial system would be able to offer to the Muslims, services of creating Sadaqah Jariah for themselves to everybody, anytime, anywhere.

This is a totally new phenomenon. Up to now, Sadaqah Jariah is only available through donation of big-ticket items, such as land and buildings, and of only by the wealthy. The mechanism for implementing Sadaqah Jariah would be for the Sadaqa House to treat the principal amount of Sadaqah as capital to be carefully preserved and prudently invested it to generate profits which will be regularly distributed.

I would suggest that the investment should generally be confined to Islamic banking and financial instruments within the banking and financial institutions such as various types of deposit, investment accounts, Sukuk and various investment management products.

In Malaysia, we need only to look at Tabung Haji and Permodalan Nasional Berhad (“PNB”) to be convinced that this method of investment will work and attain its objective.

Tabung Haji has been successfully managing the deposit of its investors for the last 50 years, while PNB has done the same for its unit-holders for the last 40 years.

My view is that the Sadaqa House should provide this and other similar services at no loss to itself, but at a profit like any other financial institutions, although it might intentionally moderate its profit motive. Subject to the decision of the relevant Religious Supervisory Council, Sadaqa House should be allowed to charge the initial fee and annual fees on the amounts that it manages.



Furthermore, it is also my view that a Sadaqa House should be allowed to keep all or a large part of the businesses that it generates within its respective banking groups, at arm's length.

We come now to a question which is perhaps on everyone's mind that is; will there be demand for this product? Will Muslims in the Private Sector give Sadaqah Jariah? Allow me to offer my views on this subject.

1. Regardless of the outcome, we in Malaysia have come to the stage where it has become our duty to organise our Islamic economy which integrally incorporates the Social Welfare sector.
2. There is a healthy growth of the population of Muslims in Malaysia. Their standard of living is continuously improving. Their level of education is also improving. Consequently, there is evidence now that their savings are increasing. Sadaqah is, in a way, a function of the level of income and savings.
3. In general, Muslims in Malaysia has become more conscious of the religious requirements placed on them. I am amazed at the term they use to describe this type of Sadaqah. They say "*Saham Akhirat*", i.e. stock of The Hereafter or investment for the "Hereafter".
4. Perhaps, we could be guided by what has happened in the collection of Zakat in the Government Sector. In Malaysia, the collection of Zakat is almost always undertaken by a body under the Religious Departments of the various states. The amounts collected appear to be continuously rising over the years. In some states, the collection is now in excess of RM100 million per state per year.
5. A large part of the success of the introduction of Sadaqah Jariah would hinge on how the Sadaqa House managed the information flow, the publicity and the advertisement of the Sadaqah Jariah.

For example, many Muslims would be touched if they are correctly and clearly explained of the meaning of this Verse of Al-Quran: (Surah Al-Hashr: 18) This verse says:

“Oh you who believe, fear Allah, and everyone should look closely and carefully at what he has done to prepare for his future”, i.e. his days in the Hereafter.

And then, gently inform him the Sadaqa Jariah is precisely one form of preparation that has been designed for his/her requirement.

Finally, the Sadaqa House will need a clear and concise plan for the periodic distribution of the profits.

Perhaps, the individual Sadaqa House may prefer to specialise in one or two specific areas such as the livelihood of the poor and the needy, health services, education services, and so on and so forth.

In the initial years, however, the Sadaqa House may want to concentrate on getting the Sadaqa and may opt to use the existing channels for distribution such as the State Religious Department, Dakwah bodies and the Government Social Welfare Department to do the distribution on its behalf.

The difference

People often ask me; what is the difference between Islamic banking and conventional banking?

Now, if this movement catches on and becomes a reality, I shall tell the people; Islamic banking and finance is based on a three-sector Islamic economy, and it integrally incorporates the Social Welfare Sector, whereas the conventional banking and finance does not.



CHANNEL OF CONTRIBUTION:

Funds transfer



SADAQA HOUSE
140 140 101 88888
Bank Islam Malaysia Berhad

Bank Islam Credit Card-i



Through the redemption of Trupoints Rewards at
<https://trurewards.bankislam.com.my> (Category Product: Welfare)

SnapNPay



- i. Download the SnapNPay application via **Play Store** (Android) or **App Store** (iOS)
- ii. Scan the QR code image
- iii. How to donate
 - a. Select recipient
 - b. Insert donation amount
 - c. Follow the steps displayed to complete the payment

Website Sadaqa House



<https://www.sadaqahouse.com.my> (Click **Donate** button)

Boost Application



- Step 1** – Download the Boost application via **Play Store** (Android) or **App Store** (iOS)
- Step 2** – Click button '**Charity**' and choose **Sadaqa House**
OR
Click '**Scan & Pay**', Scan the **QR code** Sadaqa House and
- Step 3** – Follow the steps displayed to complete the payment

“

Good works protect from evil fates. Charity in secret extinguishes the wrath of the Lord, maintaining family ties increases life span, and every good deed is charity. The people of good in the world are the people of good in the Hereafter, and the people of evil in the world are the people of evil in the Hereafter. And the first to enter Paradise are the people of good.

”

Reported by Umm Salamah
in the Source: Al-Mu'jam
Al-Awsat 6252





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