

# Harnessing the Power of the Stock Market for Social Good: Establishing an Islamic Social Stock Exchange in Malaysia

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## **Abstract:**

This research investigates the feasibility and implications of introducing an Islamic Social Stock Exchange (SSE) in Malaysia by drawing insights from global SSE frameworks. The objectives of the research are to: analyze the concept and framework of SSEs in the United Kingdom, Spain, Singapore, and Canada; identify the benefits and impact of SSEs on social and economic development; study the possible challenges in introducing an Islamic SSE in Malaysia; and explore the public's appetite and motives to invest in such an exchange. Employing qualitative research methods, such as literature reviews, surveys, and interviews, the study unveils a spectrum of SSE frameworks, highlighting their diverse positive impacts on social and economic development. Simultaneously, challenges emerge in the realms of Shariah compliance, listing fees, and public awareness. The findings not only underscore the practical significance of these insights but also emphasize their pivotal role in shaping the potential development of an Islamic SSE in Malaysia. This research contributes to enriching shared understanding of global SSE practices, fostering progress in Malaysia's social, economic, and environmental spheres.

**Keywords:** Social stock exchange; Islamic finance; social enterprise; Islamic social stock exchange

## **1. Introduction**

The stock market refers to a public market where equity shares in publicly held companies are issued, bought, and sold by investors. One of the main purposes of the stock market is to allow companies to increase their capital and expand their businesses by selling shares to investors. In return, investors would have the opportunity to receive a portion of the profits generated by the companies depending on the number of shares held.

With the rise of environmental, social and governance (ESG) investing in the global finance industry, there is a growing demand for sustainable investing. According to Adhana (2020), impact investments are investments which are made into businesses for the purpose of achieving environmental and social impact while generating financial returns. These investments also act as a method of financing for businesses that offer ESG products and services, otherwise known as social enterprises.

Social enterprises, positioned between the market and the state, pursue both social and economic goals with an entrepreneurial spirit (OECD, n.d). They engage in the production and sale of goods and services, operating in the social economy sector. These enterprises vary in legal forms across countries and play a crucial role in delivering social services, work integration for disadvantaged groups, and community services in areas like education, culture, and the environment (OECD, n.d). Socially, they are initiated by citizens to address community needs, involving stakeholders in decision-making and promoting social responsibility. Economic criteria include direct engagement in production, voluntary creation and management by citizens, financial viability depending on members' efforts, and a participatory nature. Social enterprises emerged in response to welfare state reforms, contributing to service delivery and social inclusion (OECD, n.d). Policymaking trends involve regulatory efforts, support services, the development of sector organizations and networks, and research to enhance their contribution to public policy.

The Malaysian government has demonstrated support for social innovation, incorporating it into various public institutions through policy initiatives and programs. Notably, the Ministry of Women, Family, and Community Development's (KPWKM) Strategic Plan places a strong emphasis on social innovation and productive welfare, aligning with efforts to enhance self-sufficiency. The government's commitment to fostering social enterprise is evident in the establishment of agencies like MaGIC and Agensi Inovasi Malaysia (AIM), both mandated to promote social enterprise. Malaysia's efforts in this direction have been recognized, with a 2016 Thomson Reuters Foundation survey ranking the country as the ninth-best for social enterprises. Challenges persist, including the absence of specific legislation or a legal framework for social enterprises. MaGIC's Impact Driven Enterprise Accreditation (IDEA) initiative seeks to address this gap by validating qualifying social enterprises. Additionally, the Securities Commission's Sustainable and Responsible Investment (SRI) Fund Framework and the Ministry of Entrepreneur Development's (MED) focus on social entrepreneurship contribute to the evolving landscape of social enterprise in Malaysia (British Council, 2018).

To facilitate capital raising for social enterprises, various countries, including Brazil, Jamaica, the United Kingdom, India, South Africa, Canada, and Singapore, have established dedicated Social Stock Exchanges (SSE) (Shekhar, 2023). Operating similarly to traditional stock markets, SSEs serve as platforms for the issuance, purchase, and sale of shares. Notably, SSEs cater specifically to ethical investors seeking opportunities to invest in businesses aligned with social and environmental missions.

There are over 20,000 social enterprises across the country as at the year 2018. With these enterprises creating waves of positive impact in the country, it is pertinent to safeguard and aid the growth of social enterprises (British Council, 2018). Based on a study pertaining to social enterprises in the United Kingdom and the United States of America, the common cause that hampered the growth of these enterprises is the demand for an increased capital. This is because, social enterprises were hesitant to approach traditional capital markets due to factors such as fear for loss of social mission, ownership control and failure of the market to appreciate the enterprise's social values.

To ensure that social enterprises in Malaysia have sufficient capital for them to expand their businesses and provide continuous benefits and solutions to social and environmental issues in the country, it is imperative to study how SSEs that have been adopted in other countries could be implemented in Malaysia as an Islamic SSE. Verse 11, surah as-Saf of the Qur'an (M.A.S Abdel Haleem, Trans. 2004) mentions, "have faith in Allah and His Messenger and strive in the way of Allah with your possessions and your lives". As such, it is paramount to ensure all of our affairs including investments are in accordance with the principles of Shariah.

The objectives of the research are to: analyse the concept and framework of SSEs in other countries; identify the benefits and impact of SSEs on social and economic development; study the possible challenges in introducing an Islamic SSE in Malaysia; and to study the public's appetite and their motives to invest in Islamic SSE.

## **2. Literature Review**

The definition of social enterprise varies according to different people. According to Tshikululu Social Investments (2023) in South Africa, a social enterprise is a business which has the primary objective of overcoming social issues through a business model that is financially sustainable. Similarly, Adhana (2020) defines a social enterprise as a revenue-generating business which mainly seeks to pursue social objectives. This definition is similar to the definition of a social enterprise in Malaysia. According to the Malaysian Global Innovation and Creativity Centre (MaGIC), social enterprises in Malaysia are hybrid entities that implement market-based approach to ensure financial sustainability while having clear social and environmental related goals (Rajah et al., 2023).

An SSE is a platform where entities such as social enterprises, volunteer organisations and welfare entities are listed to allow them to raise capital (Adhana, 2020). It operates as a regular stock exchange, where stocks, bonds and other financial instruments can

be listed, traded and cleared, but rather than solely reporting on profits and losses, listed companies must also report on their social and environmental impact (Patel and Patel, 2023). SSE acts as a bridge between Non-Governmental Organisations (NGOs) and investors (Zandee, 2004). According to Wendt (2022), SSEs allow businesses with social goals to raise their capital by attracting ethical investors who intend to invest in business with both corporate and social responsibilities. SSE is also known to be an innovative method to fundraising as the stock exchange is able to connect social enterprises which require funds with investors who believe in ethical investing and are willing to provide support for their projects (Zandee, 2004).

In 2003, the Brazilian Stock Exchange in Sao Paulo, BOVESPA, had launched the world's first SSE which is a replica of the traditional stock exchange in efforts to connect local NGOs that require capital with social investors (Zandee, 2004). To participate in Brazil's SSE, NGOs must fill up a form describing their project and state the estimated funds required to execute the project. Subsequent to the establishment of BOVESPA's SSE, many countries have followed suit in establishing their own SSE.

Singapore's SSE, the Impact Investment Exchange Asia, is one of the most successful SSEs which helps social enterprises raise investment capital amounting to around \$40 million in total every year (Adhana, 2020). According to Adhana (2020), it is the only public SSE as of the year 2020, and it provides information on social businesses as well as impact investing funds.

Similarly, United Kingdom's Social Stock Exchange (SSX) has also successfully facilitated participants in raising funds to provide healthcare facilities and affordable housing, among others. In 2018, SSX had restructured whereby its operations moved into a new firm known as the Impact Investment Network (IIN). As a result of the restructuring, the SSX was split into two and the SSX became a trust as well as a licensing body that license out accreditation to financial institutions or other stock exchanges (Mair, 2018).

In addition to the abovementioned, countries such as Canada, South Africa, Jamaica and Kenya have also established their very own SSE (Chhichhia, 2015). In Canada, the Social Venture Exchange (SVX), which is government-backed, is made available online where institutional and retail investors may invest in companies with environmental or social impact (Adhana, 2020). As of 2021, only three out of the seven SSEs that have been established across the globe were still active (Walia et al, 2021). The three SSEs that are still in operation are located in Singapore, Canada and Jamaica.

However, this year, the Securities Exchange Board of India (SEBI) has approved for the National Stock Exchange of India (NSE) to establish an SSE in India (Outlook Business Team, 2023). With SEBI's final approval, the SSE, which will be a part of the NSE, allows enterprises with social welfare objectives to raise equity through electronic platforms (Adhana, 2020). The Indian SSE will operate in the similar manner as a normal stock exchange (Patel and Patel, 2023).

In Brazil, SSE has contributed to the social development of the country. The establishment of SSE plays a big role in bridging the gap between investors and businesses, NGOs and the community. Apart from promoting an inclusive approach to social development, SSEs help cultivate social inclusion among Brazilians (Patel and Patel, 2023). In Sao Paulo, the Carapicuiaba Education and Training Centre, an NGO, was able to upgrade the learning conditions of their students by installing electrical systems and upgrading the equipment through funds received from listing on the SSE (Zandee, 2004). Besides that, Adhana (2020) mentioned that Singapore's SSE has been assisting social enterprises in raising their capital up to approximately \$40 million yearly.

In Malaysia, Bursa Malaysia is the stock exchange of the nation which is also one of the largest stock markets in ASEAN. It operates by way of three distinct markets namely, the Main Market, the ACE Market and the LEAP market. All three markets under Bursa Malaysia have different sets of listing criteria. The Main Market is the market for companies which are well-established and have satisfied the requirements set out by Bursa Malaysia in terms of size, quality, and operations.

On the other hand, the ACE Market has been specifically designed for companies with potential of growth and this market is interestingly sponsor-driven. In the ACE Market, sponsors will be able to assess potential issuers by considering their business prospects and corporate conduct. Prior to August 2009, the ACE Market was known as the MESDAQ Market. While the ACE Market is sponsor-driven, the LEAP Market is a market which is adviser-driven and was established with the aim to aid emerging companies such as Small and Medium Sized Enterprises (SME) raise funds by way of the capital market.

As the main regulator of the Malaysian capital markets, the Securities Commission Malaysia is tasked with supervising and monitoring the operations of Bursa Malaysia (Yeon and Samsuddin, 2012). To date, Malaysia has not established any market specifically for social enterprises. This refers to the absence of a dedicated stock market tailored exclusively for social enterprises, while general stock markets and Islamic stock markets do exist in the country. The research focuses on the concept of an Islamic SSE and its potential introduction in Malaysia, which is distinct from a conventional stock exchange or an Islamic stock exchange. An Islamic SSE, as explored in the study, would serve as a platform for social enterprises to raise capital while aligning with Islamic finance principles. The distinction between an Islamic SSE and a conventional or Islamic stock exchange lies in its specialized focus on promoting social and environmental objectives within the framework of Islamic finance.

The Chairman of Securities Commission Malaysia (SC), Datuk Seri Awang Adek Hussin, highlighted the importance of considering the introduction of an Islamic social exchange in Malaysia to enhance environmental, social, and governance (ESG) programs, particularly to support the less fortunate (Securities Commission Malaysia, 2023). He emphasized the need for the Islamic capital market (ICM) in Malaysia to be more inclusive and aligned with ESG requirements. This aligns with the research's relevance, as it explores the concept of an Islamic Social Stock Exchange (SSE) in Malaysia. The proposed Islamic SSE aims to provide a platform for social enterprises

to raise capital, contributing to social and environmental objectives within the framework of Islamic finance. Awang Adek's mention of Shariah-plus and aligning practices with Maqasid al-Shariah underscores the research's significance in advocating for a Shariah-compliant SSE that goes beyond conventional ethical and sustainable practices (Securities Commission Malaysia, 2023). The research is relevant in the context of Malaysia's commitment to ethical and socially responsible Islamic financial practices, as reflected in Awang Adek's remarks at the 21st Islamic Financial Stability Forum.

### **3. Methodology**

To achieve the four objectives of this paper, qualitative research methodology has been applied. This approach is beneficial to understand a certain concept or phenomenon while maintaining a naturalistic view on the subject matter (Rahman, 2017). To analyse the concept and framework of SSEs in other countries, available literatures on the topic was referred to. The impact and benefits of SSEs on social and economic development has also been identified by using the qualitative research methodology.

To gain a better understanding of the Malaysian stock market, unstructured interviews were conducted with a representative from Bursa Malaysia and a representative from the Securities Commission Malaysia as the regulator of Malaysia's stock market. According to Saul Mcleod (2023), one of the advantages of conducting unstructured interviews is that it helps researchers to develop a deeper understanding of a particular issue as the use of open questions allows respondents to have in depth conversations. These interviews have helped to determine the possible challenges that may surface in introducing an Islamic SSE in Malaysia. The interviews were conducted via Zoom application which is a virtual meeting platform to facilitate the data analysis process.

In addition to unstructured interviews, a survey was conducted to assess the level of interest within society regarding investment in Islamic SSE and to understand the motivations behind participating in such a market. According to Braun et al. (2021), online surveys can harness the rich potential of qualitative data and qualitative data analysis can explore social experiences. In this research, the qualitative survey was conducted online through SurveyMonkey, an online survey tool where respondents were presented with an open-ended question and were required to type their answers in a textbox.

In the qualitative survey conducted for this research, a total of 18 respondents participated, and their selection was based on convenience sampling. The approach to participant selection in qualitative research allows researchers the autonomy to choose anywhere from a single participant to up to twenty samples, depending on the depth of information required and the nature of the inquiry (Subedi, 2021). In this study, the 18 respondents were specifically chosen based on their experience in investing, with half having prior investment experience and the remaining half having no previous experience in investing. The responses from all 18 participants were collected through an online survey.

## **4. Result and Discussion**

### ***4.1. The concept and framework of SSEs in other countries***

As mentioned earlier, social enterprises aim to solve social and environmental issues as well as improve the society's quality of life and SSE acts as a platform to enable these enterprises to raise funds to finance their activities. The United Kingdom, Canada, Singapore, South Africa and Brazil all have an SSE, while India and Switzerland are in the process of setting one up (Wendt, 2022). Although all SSEs that have been established across the globe have a similar goal, the concept and framework of each SSE differs from one another. According to Calandra and Favareto (2020), the Impact Investment Network (IIN), the Impact Investment Exchange (IIX) and the Bolsa Social that have been established in the United Kingdom, Singapore and Spain respectively are the most successful models of SSE in the world.

The IIN in the United Kingdom seeks to support enterprises that join the platform to expand their businesses sustainably and ethically. In order to be listed on the IIN, companies must pass the impact test conducted by experts and provide a report that reflects evidence of social impact. The listing process begins on the IIN website where companies must provide their general data and exhibit how its activities have contributed to the society or the environment, which could be done through an impact report. Besides that, companies that intend to be accredited to the IIN must also be financially stable with good prospect for growth. Once the Impact Admissions Panel has approved the application of a company, the company will be accredited to the IIN, and they would have to submit an impact report annually.

In Spain, Bolsia Social was established as a platform to raise funds for companies that have potential and generate positive impact on the environment and the society. Similar to the IIN, companies may submit their application online along with an impact report and proof that the company has good growth prospects and is financially stable. Once a company is selected, the company must set its minimum and maximum capital to be achieved through the investment. Subsequently, an investment campaign will take place whereby Bolsia Social will publish relevant information about the company on a website and organise events to build a bridge between companies and investors.

The IIX in Singapore was also established as an investment platform for organisations that have high environmental and social values to raise funds. To become a member of the IIX, an organisation must meet two criteria. First, companies must prove that they are pursuing a social mission and that they are an economically stable company. Second, companies must submit their business plan which sets out their objectives and demonstrates how their business activities could create positive impact on the society or the environment.

It is worth noting that the IIX platform has an 'Impact Partners' section which assists potential investors to assess and identify social and environmental projects that they could invest in. It is said that the IIX plays the role of three different platforms i.e., an impact accelerator, an impact partner and an impact exchange (Wendt, 2022). As an impact accelerator, the IIX provides advisory services to investors for them to invest in

social enterprises. Meanwhile, as an impact partner, the IIX helps connect impact investors with social enterprises and as an impact exchange, the platform lists and trades shares of social enterprises.

#### ***4.2. The benefits and impact of SSEs on social and economic development***

As SSE is a platform for social enterprises to raise capital by attracting responsible investors to invest in their business, it is directly contributing to the social and economic development of the society. In recent years, ESG awareness among the society has increased rapidly as a result of the initiative by the United Nations in developing the United Nations Sustainable Development Goals. Many large corporations as well as SMEs have made a paradigm shift towards ESG and many have realigned their business strategies with ESG.

As at the year 2018, over 20,000 social enterprises have been established across Malaysia (British Council, 2018). Through the literature review that was conducted, it is evident that the establishment of SSEs has had a positive impact on social and economic development. SSE, being a platform to raise capital in social enterprises, allows these enterprises to continue operations and contribute to social development. For example, the Brazilian SSE managed to promote social inclusion among Brazilians and an NGO in Sao Paolo was able to provide better learning facilities to students by listing on the SSE.

Based on the above, it can be said that SSE is a bridge between investors and social enterprises as well as NGOs. In terms of economic development, the establishment of SSE has assisted numerous enterprises to increase their capital. Investors who believe in ethical investing can connect with social enterprises and invest in social enterprises that have similar values. This allows listed enterprises to keep expanding their business and charitable organisations to contribute to the society. In Singapore, Impact Investment Exchange Asia has helped social enterprises raise capital up to \$40 million annually.

Although SSEs have not been widely introduced across the globe, it has managed to provide social and economic development in countries that have established their very own SSE.

#### ***4.3. The possible challenges in introducing an Islamic SSE in Malaysia***

In introducing a new innovation, challenges are inevitable. However, these possible obstacles could be addressed and minimised prior to its implementation. Conducting unstructured interviews to gain insights into potential challenges associated with introducing a new innovation proved to be a complex task given the novel nature of the subject. The respondents involved key figures from crucial entities within Malaysia's financial landscape. Notably, a senior management representative from the Securities Commission Malaysia and a manager from Bursa Malaysia, the nation's stock exchange, shared valuable perspectives. These interviews, featuring high-level representatives from both the regulatory body (Securities Commission Malaysia) and the primary stock exchange (Bursa Malaysia), were specifically designed to provide comprehensive insights into the challenges that may arise in the process of introducing



this innovative concept. It should be noted that both representatives agree that it is possible to introduce a stock market specifically for Islamic social enterprises. However, there may be some challenges that must be considered before its implementation.

#### **4.3.1. Screening process**

The establishment of an Islamic Social Stock Exchange (SSE) in Malaysia encounters a formidable challenge in the screening process, specifically centered on ensuring the Shariah compliance of participating social enterprises. As underscored by representatives from Bursa Malaysia and the Securities Commission Malaysia in interviews, resolving this challenge requires the creation of a robust framework for Shariah screening, featuring stringent criteria to gauge enterprises' adherence to Shariah principles.

In drawing inspiration from the Securities Commission Malaysia's Shariah Screening Assessment Toolkit for Unlisted Micro, Small, and Medium Enterprises (MSMEs) (Securities Commission Malaysia, 2021), there exists an opportunity to create a comparable screening toolkit customized for NGOs and social enterprises. A pivotal aspect of this process involves collaboration with Shariah scholars and experts to refine and enrich the screening framework. The toolkit, in this context, can integrate specific criteria to assess the nature of social enterprises' activities, funding sources, and overall impact on the community, thereby aligning with both Shariah principles and broader social responsibility objectives.

Beyond the realm of Shariah compliance, the screening process also introduces a critical dimension—evaluating the social impact of enterprises participating in the SSE. This dimension adds complexity, demanding a nuanced approach to evaluating and quantifying social impacts. The development of clear metrics and indicators becomes instrumental in successfully addressing this multifaceted challenge.

To overcome the challenges mentioned above, several recommendations can be adopted. Firstly, the establishment of a dedicated committee or working group is recommended. This specialized entity would facilitate the ongoing assessment and updating of screening criteria, ensuring alignment with evolving Shariah standards and social impact measurement methodologies.

Secondly, fostering collaborative efforts within the industry is crucial. Encouraging cooperation among regulators, social enterprises, and Shariah scholars would contribute to the continuous refinement and improvement of screening processes.

Moreover, educational initiatives play a pivotal role. Implementing regular training programs for enterprises on Shariah compliance and social impact reporting enhances awareness and understanding, thereby contributing to a more streamlined screening process.

Lastly, the development of a dynamic and adaptive framework is emphasized. Such a framework would respond effectively to changes in Shariah standards, social impact

assessment methodologies, and the evolving landscape of social enterprises. By implementing these recommendations collectively, the Islamic SSE can overcome screening challenges, positioning itself for success in promoting both Shariah compliance and meaningful social contributions within Malaysia's financial landscape.

#### **4.3.2. Listing fees**

The issue of listing fees presents a formidable challenge for the implementation of an Islamic SSE in Malaysia, as highlighted by the representative from Bursa Malaysia. This challenge revolves around the potential financial burden that enterprises may face to be listed on the new market. Bursa Malaysia currently imposes regulatory fees for companies seeking listing, encompassing processing fees, initial listing fees, and annual listing fees. Given that many social enterprises in Malaysia consist of smaller businesses with limited financial resources, there is a legitimate concern that a significant number of enterprises may be deterred from participating in the new market.

Analysis of this challenge reveals that the financial constraints faced by social enterprises, especially smaller ones, could hinder the inclusivity and diversity of the Islamic SSE. The imposition of standard regulatory fees might disproportionately affect these enterprises, limiting their ability to access the benefits of the SSE and potentially stifling the growth of the market.

To address this challenge, several recommendations can be considered. Firstly, a tiered fee structure could be explored, wherein fees are adjusted based on the size and financial capacity of the social enterprises. This would ensure that smaller enterprises are not unduly burdened and can afford to participate in the SSE.

Additionally, the introduction of incentives or subsidies for social enterprises could be explored. These incentives might include reduced or waived fees for enterprises that demonstrate a strong commitment to social impact and align with the principles of the Islamic SSE. This approach could encourage greater participation and support the growth of socially responsible enterprises in the market.

Furthermore, collaboration with governmental and non-governmental entities to establish funding mechanisms specifically designed to assist social enterprises in meeting listing fees could be considered. By fostering a supportive financial environment, the Islamic SSE can attract a diverse range of enterprises, promoting economic inclusivity and sustainability.

Addressing the challenge of listing fees in the context of Islamic SSE requires a nuanced approach that takes into account the unique financial landscape of social enterprises. Implementing a tailored fee structure and exploring supportive policies could help overcome this barrier and promote a more inclusive and vibrant Islamic SSE in Malaysia.

### **4.3.3. Lack of awareness**

The challenge of lack of awareness, as articulated by the representative from Bursa Malaysia, constitutes a significant hurdle for the successful implementation of an Islamic SSE in Malaysia. This challenge is multifaceted, involving both a limited understanding of social impact investing and a general lack of awareness among the society regarding this concept.

The representative highlighted that there might be a constrained understanding of social impact investing among the society. This lack of comprehension could result from the novelty of the concept, as social impact investing is a relatively new paradigm in the financial landscape. The intricate nature of impact investing, with its dual focus on financial returns and positive societal outcomes, may not be well-understood by potential investors.

Drawing from a report by the SDG Philanthropy Platform in 2019, it is evident that Asia faces barriers in impact investing, largely attributed to the society's lack of familiarity and awareness of this investment approach. This suggests that the challenge extends beyond Malaysia and is part of a broader regional issue that needs to be addressed to foster the growth of impact investing.

To overcome this challenge, a comprehensive awareness campaign is recommended. The campaign should not only aim to familiarize potential investors with the concept of social impact investing but also emphasize the specific benefits and positive outcomes associated with participating in the Islamic SSE. Educational programs, workshops, and outreach initiatives could be employed to disseminate information about impact investing and its potential to drive positive change.

Collaborative efforts between Bursa Malaysia, regulatory bodies, and relevant stakeholders in the financial sector could play a pivotal role in raising awareness. Engaging with academic institutions, conducting public forums, and leveraging digital platforms for targeted communication are strategies that can contribute to bridging the awareness gap.

Moreover, incorporating elements of social impact awareness within the existing financial literacy programs could serve as a proactive measure. By integrating information about impact investing into educational curricula and financial literacy initiatives, society can be better equipped to understand and appreciate the significance of investing for both financial returns and positive societal impact.

Addressing the challenge of lack of awareness requires a strategic and multifaceted approach, encompassing educational campaigns, stakeholder collaboration, and integration of impact investing principles into broader financial education initiatives. By systematically tackling this challenge, Malaysia can pave the way for a more informed and engaged investor base, fostering the success of the Islamic SSE and promoting socially responsible investing in the country.

#### ***4.4. The public's interest and their motives to invest in Islamic SSE***

The qualitative online survey conducted to delve into the public's interest and motivations for potential investments in an Islamic SSE in Malaysia offered insightful findings, reflecting a robust enthusiasm and positive sentiment among respondents. The unanimous willingness of all 18 participants to engage in the Islamic SSE underscores a promising prospect for the introduction of such a platform in Malaysia's financial landscape.

The predominant motivation, as articulated by a substantial 89% of respondents, revolves around a deep-seated desire to contribute to social development. This significant majority expressed a keen interest in providing capital to Islamic social enterprises, perceiving their financial contributions as a meaningful way to foster positive societal impact. The resonance of social responsibility as a driving force behind potential investments suggests a socially conscious investor base, aligning with the ethos of Islamic social enterprises.

Additionally, an intriguing 28% of respondents identified the Shariah-compliant nature of the Islamic SSE as a compelling factor influencing their investment interest. For these individuals, the assurance that their investments would strictly adhere to Islamic principles provides not only a sense of ethical alignment but also fulfills a religious duty to support and uplift fellow Muslim entrepreneurs, contributing to the broader betterment of the ummah.

Respondents further emphasized the potential benefits of a dedicated stock exchange for Islamic social enterprises in simplifying the investment decision-making process. The concept of an Islamic SSE was seen as advantageous in providing investors with a curated market of enterprises aligned with their values and principles. This suggests a recognition among potential investors that such a platform could not only serve their financial objectives but also resonate with their ethical considerations. The integration of artificial intelligence (AI) in the creation and maintenance of an Islamic SSE could enhance these benefits. AI algorithms could analyze vast datasets to match investors with enterprises that closely align with their ethical criteria, streamlining the decision-making process. Additionally, AI-powered tools could continuously monitor and assess the Shariah compliance and social impact of listed enterprises, ensuring a dynamic and responsive market that aligns with investors' values over time.

To capitalize on these positive sentiments and effectively translate them into tangible participation, several strategic recommendations emerge. Continuous educational initiatives and awareness campaigns are essential to deepen understanding and motivation among potential investors. The diversification of offerings within the Islamic SSE, addressing various social impact objectives, can attract a broader investor base by catering to diverse interests and preferences. In this context, a diversification strategy can be adopted, which includes expanding the range of offerings within the exchange to address various social impact objectives. This strategy aims to attract a broader investor base by catering to diverse interests and preferences. Diversification in this scenario could involve categorizing listed enterprises based on different social impact themes, such as education, healthcare, environmental sustainability, and poverty alleviation. Each category would represent enterprises contributing to a

specific social cause. For example, an investor with a keen interest in promoting education may choose to invest in enterprises within the education category. Similarly, another investor focused on environmental sustainability might opt for enterprises aligned with that theme. By providing a diverse array of categories, the Islamic SSE accommodates investors with varying ethical considerations and social impact priorities.

To reinforce the Shariah compliance aspect, instill confidence, and offer robust guidance to potential investors, collaboration with religious institutions and scholars is pivotal. This could be achieved by establishing advisory boards comprised of reputable religious scholars who can review and validate the Shariah compliance of enterprises listed on the Islamic SSE. Their involvement would not only add credibility to the platform but also provide a clear framework for investors to navigate. Moreover, ensuring user-friendly platforms and implementing transparent reporting mechanisms for listed enterprises are crucial steps. This can be accomplished by leveraging technology to create intuitive interfaces, educational materials, and accessible information about each enterprise's social impact and financial performance. By incorporating these measures, the perceived ease of investing will increase, fostering trust among investors and encouraging greater participation in the Islamic SSE.

Overall, it can be said that the survey results offer a promising outlook for the success of an Islamic SSE in Malaysia, showcasing a blend of social consciousness, ethical considerations, and a desire for simplicity in investment decisions among potential investors. By strategically implementing the recommended measures, the Islamic SSE can position itself as an attractive and trusted avenue for investments, fostering a community of confident and informed investors committed to both financial returns and positive societal impact.

## **5. Conclusion**

In addressing the first research objective, which aimed to analyze the concept and framework of SSEs in other countries, this research has provided an insightful exploration of the diverse approaches taken by different nations. The findings, as encapsulated in Table 1, underscore the variations in application platforms, requirements, and special features across SSEs in the United Kingdom (IIN), Spain (Bolsia Social), Singapore (IIX), and Canada (SVX).

This comparative analysis has not only contributed to a nuanced understanding of the intricate workings of SSEs globally but also laid the groundwork for extracting valuable lessons and identifying best practices that could inform the potential development of an Islamic SSE in Malaysia. By examining the nuances of SSE frameworks worldwide, this research has set the stage for a more informed and context-specific approach to introducing an Islamic SSE within the Malaysian financial landscape.

**Table 1: Summary on the framework of SSEs in selected countries**

	<b>IIN (United Kingdom)</b>	<b>Bolsia Social (Spain)</b>	<b>IIX (Singapore)</b>	<b>SVX (Canada)</b>
<i>Application platform</i>	Online	Online	Online	Online
<i>Requirements</i>	<ul style="list-style-type: none"> <li>- Submission of impact report</li> <li>- Financial stability</li> <li>- Passing of an impact test</li> </ul>	<ul style="list-style-type: none"> <li>- Submission of impact report</li> <li>- Financial stability</li> <li>- Companies must set minimum and maximum capital to be achieved</li> </ul>	<ul style="list-style-type: none"> <li>- Submission of impact report</li> <li>- Submission of business plan</li> <li>- Financial stability</li> </ul>	<ul style="list-style-type: none"> <li>- Due diligence will be conducted to review the impact, management, governance, and finances of the applicant</li> </ul>
<i>Special features</i>	<ul style="list-style-type: none"> <li>- Events are conducted to connect companies and investors</li> <li>- Publications on impact investing are posted on their website</li> </ul>	<ul style="list-style-type: none"> <li>- Events are conducted to connect companies and investors</li> </ul>	<ul style="list-style-type: none"> <li>- ‘Impact Partners’ section that assists potential investors identify social enterprises of their choice</li> <li>- Provides advisory services to investors</li> </ul>	<ul style="list-style-type: none"> <li>- Events are conducted to connect companies and investors</li> </ul>

Source: Author’s own summary

The second research objective focused on the positive impacts of SSEs on social and economic development. The findings revealed that SSEs play a pivotal role in facilitating capital raising for social enterprises, acting as a nexus connecting investors with enterprises. The success of Brazil's SSE in promoting social inclusion serves as a compelling case study.

However, the third research objective identified significant challenges in introducing an Islamic SSE in Malaysia. These challenges include the need for robust screening processes to ensure Shariah compliance and motivation for social impact, potential barriers due to listing fees, and a prevailing lack of awareness regarding social impact investing in society.

Addressing the fourth research objective, the survey results highlighted a substantial public appetite for investing in an Islamic SSE in Malaysia. Motivations varied, with a significant portion expressing interest in contributing to social development, while others were drawn to the Shariah-compliant nature of such investments. The findings lay a strong foundation for recommending the introduction of an Islamic SSE in Malaysia.

Moving forward, several key recommendations emerge. First, the establishment of clear criteria for Islamic social enterprises to meet before listing, focusing on social goals and Shariah compliance, is imperative. A mandatory submission of an annual social impact report, verified by an independent panel, can ensure adherence to stated objectives.

Maintaining Shariah-compliant features is crucial, requiring good governance to eliminate prohibited elements and align with Islamic financial principles. Given Bursa Malaysia's existing Islamic securities exchange platform, integrating an Islamic SSE is deemed feasible.

To maximize participation, it is recommended to open the SSE to both institutional and retail investors, fostering a broader base of support for social enterprises. Mandatory annual social impact reports from enterprises will not only provide transparency but also attract investors aligned with the enterprises' values.

Raising awareness through educational programs is paramount. This proactive step ensures that the public is well-informed about the Islamic SSE, potentially increasing investor participation. Leveraging successful strategies from other SSEs, such as conducting events and providing advisory services, can contribute to the overall success of the platform.

In summary, the introduction of an Islamic SSE in Malaysia holds significant potential to advance social, economic, and environmental development. By adopting key features from successful SSE frameworks, addressing challenges through proactive measures, and building awareness, Malaysia can position itself as a trailblazer in Islamic social impact investing. This research sets the stage for a more in-depth exploration of the Islamic SSE structure in Malaysia, providing valuable insights for Bursa Malaysia's framework development.

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