

## **R&D And Innovation Needed To Spur Islamic Private Equity, Venture Capital Industries**

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**By Norsyafawati Ab Wahab**

KUALA LUMPUR, March 27 (Bernama) -- A large involvement of research and development and innovation in businesses are required to spur the growth in Islamic private equity (PE) and venture capital (VC) market in Malaysia, says an Islamic Strategic Counsel.

Zaid Hamzah, who is the only Malaysian author for Islamic PE and VC books, said "these industries were not well matured yet although the infrastructure has been well established."

"Malaysia already has the law, guidance and regulations for the industries but they are still not well developed compared to debt financing (sukuk)," said Zaid, who specialises in technology, media and telecommunications.

He said there was a barrier to promote PE and VC industries as the Malaysian economy was still in the transition phase in business innovation compared to Korea, Taiwan or Singapore.

"We are one step behind them, as these countries have already moved very rapidly into innovation, as well as in their conventional PE and VC industries, which helped to boost their economies further," he told Bernama.

Zaid also said Malaysia was still lacking in producing quality innovation in commercial activities that meets the global standards.

"There are large funds for VC here as well as from Gulf Cooperation Council countries, where one to two of the richest countries in the world are from this region, however, our industry has yet to expand well," he added.

Zaid said the PE and VC industries in Malaysia have tremendous potential to grow further since the country is already known as one of the prominent leaders in Islamic finance industry.

In 2010, the Islamic PE and VC market accounted for less than five per cent of the total PE and VC industry of RM6 billion.

Hence, he said more needs to be done especially in creating awareness among the small and medium entrepreneurs, particularly in the small innovation industry, to tap the potential of Islamic PE and VC.

The small innovation entrepreneurs have immense opportunities to attract Islamic VC and PE markets as the government has various plans to propel the economy through innovation to achieve a high-income status by 2020.

"Indirectly, it will also strengthen the country's position as the global hub for Shariah-compliant financing," Zaid said.

If both the government and private sector take the effort to promote the Islamic PE and VC, he said Malaysia can be a leader in this industry globally in the next 10 years.

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