

CHAPTER 10: ISLAMIC SOCIAL FINANCE: A SUSTAINABLE SOLUTION TO POVERTY ALLEVIATION

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ABSTRACT

Islamic financial intermediation is primarily based on the philosophy of socio-economic justice. The risk sharing mechanism of Islamic finance contracts, increases the scope of development for the marginalized. In the contemporary discourse of Islamic finance, the emergence of social finance based on the redistributive system of *Islam* has contributed to the Alleviation of poverty and need fulfillment to large extent. The instruments of redistributive nature viz, *zakah*, *waqf* (plural *Awqaf*) *Sadaqah*, *Qard al Hassan* etc. can be explored for the socio-economic Upliftment of the marginalized, through proper management and disbursement. Moreover, Islamic Social Finance can play an ethical and acceptable role in eradicating poverty and hunger thus narrowing the gap between affluent and deprived. The present paper in context through qualitative analysis argues that Islamic social finance has the capacity for poverty alleviation that can be explored for economic empowerment and sustainable solutions to combat the marginalization in the Muslim world in general.

Keywords: Islamic Finance, *Waqf*, *Zakah*, Sustainability, Microfinance.

1. INTRODUCTION

All countries around the world are today paying close attention to social issues, particularly the implementation of 17 SDGs of UN in 2015 directed towards socio economic upliftment. However, in spite of regional and international concerns, the issues such as poverty, lack of food and safe

drinking water, lack of education, and lack of property continue to destabilize the societies. (UNDP, 2019).

The building of a just and equitable society while preserving human dignity is a goal of the Islamic tradition. However, as evidenced by the massive misdistribution of wealth, among society's members at large, there is a significant gap between society's goals and realities. The community and the well-being of its members are at the center of society. Thus, it becomes an imperative concern for policymakers and social activists alike (Ahsan, 2016). Poverty elimination as an important ingredient of Islamic economic teachings must be the primary objective of the financial intermediation in Islamic context (Hassanain, 2015). Despite the debt ridden economy and severe deflated conditions in many Muslim nations like Afghanistan, Yemen, Pakistan (World Bank, 2022) etc people there have been extraordinarily philanthropic in their approach (Madani, 2016).

Shirizi (2014), says "majority of poor countries have established national priorities for public investment and service provision to alleviate poverty. This is especially true after 1999, when the IMF and the World Bank began publishing poverty reduction strategy papers (PRSPs) with input from the countries concerned. The PRSP emphasizes pro-poor growth, human development, basic services, and social safety nets, as well as good governance". Poverty and hunger reduction is one of the primary sub-objectives of economic security (Cattelan, 2019).

Poverty has long been a serious issue and a major challenge, particularly in developing countries. Different policies and strategies have been used in the past to eliminate poverty in various countries, but the truth is that poverty exists, particularly in Muslim world. The redistributive system in *Islam* in the form of *Zakah*, *Waqf Sadaqah* and *Qard al Hassan* have been used successfully in the past for the rehabilitation and care of the destitute. Unfortunately, Muslim countries have ignored these institutions, resulting in large percentage of population living below poverty line. (Shirizi, 2014). Mohsin & Alhabshi (2016), are of the view that *Islam* offers a variety of anti-poverty programmes, each adapted to the individual's abilities and requirements. In order to address the basic requirements of individuals, two anti-poverty programmes, *zakah* and *waqf*, must be implemented directly as poverty-eradicating schemes. Certain notable models have been developed in relation to the goals of poverty alleviation through the merging of *waqf* and *Zakah* such as the integrative microfinance model and the discussion of the potential of Islamic financing schemes in poverty alleviation (Ahsan,

2016). The procedures and practices out of *Zakah* and *Awqaf*, can be used to alleviate poverty, they are not intended solely to alleviate poverty but to complement an effective system for overall economic development. It should be mentioned that *Awqaf* and *Zakah*-based assets as economic development tools, has impact on both macroeconomic and microeconomic level for poverty Alleviation (Hassanian, 2015; Zain & Ali, 2018). In context of the aforementioned recognized socio-economic challenges, the paper shall present Islamic Social Finance as the sustainable channel of poverty Alleviation. The paper in addition to introduction is structured into Section 2: The Literature Review focusing on the related issues of the problem and the relevance of the work. Section 3: elaborates the *modus operandi* of Islamic Social Finance instruments. Section 4 presents statistical data on the poverty issues of Muslim population. Section 5 & 6 accordingly highlights the insights of reports regarding resources requirement for Muslim Upliftment and potential of ISF for the same. Section 7 contains the conclusion and recommendations.

2. LITERATURE REVIEW

The provision of financial services to ensure social protection of the poor and reduction in their vulnerability through community, microfinance, social enterprise finance, outcome-based philanthropic grant-making, and program-related investments is referred to as social finance (Islamic Social Finance Report, 2015). Islamic Social Finance is based on the redistributive system of *Islam* which targets the low-income segments of society it is important to reach out to those who are in need of it (Hassan, 2021; Shahwan et al., 2018). It is a strategy for managing assets that provide financial returns while also having a beneficial social and environmental impact that can be measured (Hassan, 2021). The rapid expansion of worldwide Islamic wealth and asset management as per (Mahomed, 2017) has helped to create a niche sector based on the Islamic finance paradigm of interest-free, transparent, profit-sharing, and mutually beneficial contract and ethical investments.

International organisations such as the International Federation of Red Cross and Red Crescent Societies (IFRC) and the United Nations Development Program (UNDP) are actively considering Islamic financing options to bridge the financial gap for social development and humanitarian relief (Mahomed, 2017). The ISF idea dates back to *Islam*'s early history and has expanded significantly in the recent decade, with its scope expanding beyond its initial state. It provides financial assistance in a variety of areas

to help ISF achieve its aims, such as reducing poverty, improving school and hospital facilities, and preserving communities and the environment (Zain & Ali, 2018).

The study of (Razak & Dawami, 2019) establishes that **ISF performs the method of managing and investing funds to address social issues and develop communities and the sustainable environment.** Its reported (World Humanitarian Summit, 2016) that every year, Muslims around the world pay generously to Islamic Social Finance institutions to help people in need. Traditional Islamic social finance systems have a long history of assisting in the development of Islamic countries. The future application of ISF instruments is expected to be significantly advanced, overcoming existing issues in calculation, poor collection techniques, and inefficient distribution networks (Mahomed, 2017).

Since its beginning, the ISF has been able to play a vital role in tackling societal challenges of many dimensions. As a result, there are now constraints limiting ISF's effectiveness and efficiency in fulfilling its aims (UNDP, 2018), such as a lack of governance standards, a lack of human resource quality, a lack of openness and transparency, and a lack of capital structure of funding. The works cited above discusses the Islamic Social Finance in a single dimension not highlighting its multidimensional aspects. In this context, the present manuscript will fill this gap and will try to highlight the potential of Islamic social Finance, particularly in Muslim Countries for poverty alleviation thereby leading to improvement in living standard of vulnerable sections of society.

3. INSTRUMENTS OF ISLAMIC SOCIAL FINANCE

Islam has the potential to help relieve poverty by properly valuing clients in light of their requirements. Islam meticulously depicts the level of poverty among people and the products that meet the client's needs at a given period (Aslam, 2014). Instruments of Islamic Social Finance can be Classified into two categories; Primary like *Zakah*, *Waqf* and *Qard al Hassan*, being the Charity based model for poverty Alleviation and Secondary like Microfinance.

According to a report (IRTI-ISF, 2015), ISF sector broadly comprises the traditional Islamic institutions based on philanthropy e.g., *zakah* (Alms), *Sadaqah* (Voluntary Charity), and *awqaf* (Islamic Endowment); those based on cooperation e.g., *Qard* (Interest free Loans); and the contemporary Islamic microfinance institutions that aim to make reduction in poverty.

Nonetheless, financial instruments used for ISF like as *Zakah*, *Waqf*, *Sadaqah*, *Sukuk*, and *Takaful* have a number of obstacles and challenges that limit their usefulness in fulfilling ISF objectives. It is impeded mostly by the issue of funding sustainability and the lack of adequate regulatory and legislative frameworks (ISF Report, 2014).

Zakah and *Waqf* are the most extensively employed ISF instruments to address social marginalization and vulnerability. For example, Atah *et al.* (2018) revealed that *Zakah* made a significant contribution to meeting the SDGs' targets of no poverty, zero hunger, good health and wellbeing, quality education, decent job, reduced inequality, and environmental pollution and degradation in their study. These instruments are used to tackle the societal problems in a variety of ways, including reducing poverty, assisting with good education, and improving health.

Charitable products especially *Zakah* and *Waqf* are critical in alleviating poverty, particularly for the poorest members of society who are unable to maintain their own businesses and families. *Zakah*, charity, and *awqaf* are the most popular items for meeting basic necessities and as a first step in starting a microbusiness (Aslam, 2014).

3.1 *Zakah*

Zakah is second only to the proclamation of Allah's unity and Prophecy of Muḥammad (ﷺ) in the hierarchy of Islamic faith and religious duty (Qaradawi, 2000). Although *zakah* is frequently associated with Islamic ways of worship, such as prayer, it is actually a component of *Islam*'s socio-financial system. As a result, it is always examined under the subject of Islamic Society's Financial and Political Issues and it's no surprise that Muslim scholars are keen to investigate the intricacies of *zakah* from every aspect (Qaradawi, 2000). *Zakah* is one of the most often used means of transferring money to the poor and needy. *Zakah*, which is based on the Muslim faith, has become a global phenomenon with a wide range of applications, not just in Muslim-majority countries (Rehman & Pickup, 2018). For Mohsin (2013), *Zakah* is an alternative financial institution that aids in the elimination of *riba* in Muslim society. Many SDGs, including no poverty (SDG 1), zero hunger (SDG 2), decreased inequalities (SDG 10) and others, are strongly aligned with *Zakah* (Rehman & Pickup, 2018).

Zakah is the portion of an asset that is considered obligatory to be spent in the ways specified by Allah in the *Qur'an* and Sunnah. Muslims

need to pay a portion of their money and assets once it exceeds *Al-Nisāb* (the minimum amount allotted on a yearly basis or when they are harvested). It's also worth noting that *zakah* must be paid from lawful wealth and assets; it can't be calculated on forbidden or illicit riches, such as interest income, stolen property or wealth gained or earned through deception (Mohsin, 2013). The word *zakah* in *Sharī'ah* refers to God's predetermined share of wealth to be dispersed among deserving categories. *Zakah* aids those who are unable to meet their basic necessities on their own viz, orphans, widows, handicapped individuals, destitute people, and so on (Usmani & Qazi, 2008). The ultimate aim of *Zakah* is to provide socioeconomic relief to those in need while ensuring financial inclusion for all members of a community. The explicit stipulation of the eight types of beneficiaries is a prudent safeguard to prevent misuse and illegitimate claims to the assets. As a result, no disadvantaged groups will endure financial or social insecurity, as one would expect in a *Sharī'ah*-based community (Ahsan, 2016). As *zakah* management must be administered by the state, the state will be responsible for establishing eight financial organisations, each based on the *zakah* beneficiaries resulting in turn, in the eradication of poverty in Muslim societies (Mohsin, 2013).

In terms of collecting and distribution of *zakah* funds, the state must be in charge of *zakah* administration. The following Qur'anic verse from *Surah Al-Taubah* (9: 103) depicts the state's obligatory gathering from all qualified Muslims in order to purify and expand their riches. "*Of their goods (wealth), take alms, that so thou mightiest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And Allah is One Who All-Heareth and All-Knowing*", and the following Qur'anic verse in *Surah al-Tauba* (9: 60) shows its distribution to the following eight groups of people: "*Zakah is for the poor, and the needy and those who are employed to administer and collect it, and the new converts, and for those who are in bondage, and in debt and service of the cause of Allah, and for the wayfarers, a duty ordained by Allah, and Allah is the All Knowing, the Wise*".

3.2 Waqf

The term "*waqf*" does not appear in the *Qur'an*. There are indirect references and injunctions to *waqf* with words like *Al-Birr* and *Al-Khair* as used in the *Qur'an* which refer to righteousness, morality and charity, respectively. *Waqf* principles are drawn from the charity and morality precepts mentioned

in Chapter 2 Verses 177, 215, and many other verses of the Qur'an (Hussain, 2021). The *Qur'an* Mentions:

"It is not righteousness that ye turn your faces toward East or West; but it is righteousness to believe in God and the Last Day and the Angels and the Book and the Messengers; to spend of your substance out of love for Him for your kin for orphans for the needy for the wayfarer for those who ask and for the ransom of slaves; to be steadfast in prayer and practice regular charity; to fulfil the contracts which ye have made; and to be firm and patient in pain (or suffering) and adversity and throughout all periods of panic. Such are the people of truth the God-fearing." [Al-Baqarah: 177]

"They ask you as to what they should spend. Say: Whatever wealth you spend, it is for the parents and the near of kin and the orphans and the needy and the wayfarer, and whatever good you do, Allah surely knows it." [Al-Baqarah: 215]

"By no means shall you attain to righteousness until you spend (benevolently) out of what you love; and whatever thing you spend, Allah surely knows it." [Al- Āl-i-‘Imrān:92],

The above verses emphasize the need of sharing wealth with the needy in order to narrow the wealth gap between the rich and the poor. The term 'right' in the above-mentioned verse, according to Ahmed (2004), signifies that *Islam* places a high emphasis on the obligation of society, particularly the wealthy, to actively contribute to poverty alleviation through *zakah* and *awqaf*.

In a religious connotation, the term *waqf* implies that the property is protected and preserved in such a way that the (*Asl*) corpus is preserved while the usufruct is dedicated to charity causes in perpetuity. When the term is used in a legal context to refer to land or a building, it signifies that such property will no longer be utilized. It is a contract whose result or effect is to bind the original of a thing while releasing its usufruct (Bandey, 2009). *Waqf* keeps the basic asset (*Asl*) and donates or distributes the fruits or advantages to the beneficiaries (Sābiq, 1993). Abu Huraira (Allah be pleased with him) reported Allah's Messenger (ﷺ) as saying:

“When a man dies, his acts come to an end, but three, recurring charity, or knowledge (by which people) benefit, or a pious son, who prays for him (for the deceased).” (Sahih Muslim 1631)

Hassanain (2015) says that, “the *waqf* method can be improved by incorporating an innovative feature that is appropriate for today’s environment. It not only improves the general economic development of Muslim countries, but it also addresses the critical poverty challenges that these countries face. The new feature is the Monetary *Waqf*, which has the potential to solve some of the challenges associated with *waqf* management, such as cost, fund collection, and the danger of loss due to recipient default. The Monetary *Waqf* uses “philanthropic resources” and cash donated by contributors to carry out projects that benefit the society as a whole. As a result, it enables normal folk to aid the needy through microfinance. If a lender wants to withdraw money, monetary *waqf* provides rapid liquidity and shields them from any defaults”.

Waqf has been used by Muslims for over fourteen hundred years to encourage education, poverty eradication, scholarship, architectural and art heritage preservation, public land preservation, orphan care, and the prevention of money squandering through immoral acts and still can be successfully utilized to create funds for the eradication of poverty in all of its forms (Syed & Genc, 2019). *Waqf* has a great potential to provide for the needs of the poor in not only the short run but also enriching them in the end. Keeping in view the importance of *awqāf*, in recent years, some efforts have been made by some countries to organize the *Awqāf* property, which is left unattended or misused (Shirizi, 2014). Hassan (2021), quoting Rehman (2020) states that, *Waqf* is a vital instrument for long-term resistance against COVID-19 poverty. According to Sadeq (2002), one essential strategy to reduce poverty is through charity, which has played a role and has the potential to be an effective means of overcoming poverty. Charity has again many forms, but one that lasts longer is one that has the quality of perpetuity. The institution of *waqf* is such a perpetual charity in the Islamic ethical system.

The Islamic Relief Worldwide *Waqf* Program, for example, whose goal is to give long-term solutions for a brighter future, has been successful in many parts of the world and covers all elements of development. In 2011, the institution executed eight significant programmes in the areas of

emergency supplies, water, sanitation, education, and sustainable livelihood, affecting the lives of thousands of families. (Shirazi, 2014).

In light of the aforementioned Qur'anic verses and the Prophet's teachings, it is apparent that *Islam* tries to build a certain ideology that prescribes that a person should not live just for his or her personal needs and desires but should consider himself or herself as a member of a society in which many needy, homeless, and destitute people might need assistance.

3.3 Qarḍ Al Hasan

One of the main tenants of Islamic charity and social distribution of wealth is the concept of *Qarḍ Al Hasan*, or a loan as a charitable deed. *Qarḍ Al Hasan* is a way to assist those in need of means to either earn a living or meet their permissible needs in order to sustain their lives. In contemporary Islamic financial intermediation concept of *Qarḍ Al Hasan* also highlights the concept of microfinance (Syed & Genc, 2019). The distinction between *Qarḍ Al Hasan* and *Sadaqah* (charity) is that the former must be repaid, whereas the latter is pure charity (Rehman, 2008).

3.4 Islamic Microfinance

Microfinance has been recognized by the World Bank as a method of addressing income disparities and poverty. It is a "programme that provides very poor with small loans for self-employment enterprises that generate money, allowing them to care for themselves and their families" (Rehman, 2008). It is a financing option for microbusinesses that aren't often eligible or bankable for commercial bank loans. Self-employment and other income-generating activities are eligible for credit or loans. Microfinance is a lending alternative because the conventional banking system views the poor as unworthy of credit (might not be able to pay back the loan) (Rehman, 2008). Islamic microfinance is helping to increase the living standard, per capita income, awareness level, ethical principles, profitability, infrastructure, and employment levels in society, as well as helping to manage inflation and uneven wealth distribution (Aslam, 2014). Given specific characters derived from *Qur'an* and *Hadith*, Islamic microfinance is the provision of financial and non-financial services based on Islamic beliefs with the goal of promoting justice for all (Riwajanti, 2013). Islamic microfinance, which differs from conventional microfinance in some ways, could be a viable answer to poverty alleviation. The core idea of Islamic microfinance is the use of Islamic values to promote social justice for all and economic

development with human capability as the primary focus (Riwajanti, 2013). Microfinance, particularly *Sharī'ah*-compliant microcredit for microenterprises, appears to have the ability to alleviate poverty, Obaidullah (2008) says that “microfinance is a potent tool to fight poverty” based on CGAP best practices. In the world, especially in poor countries, Islamic microfinance (IMF) is becoming the most common method of poverty reduction because of its ethical beliefs and *Riba* prohibition (Aslam, 2014).

The key feature of Islamic Microfinance is that the Islamic method places a greater emphasis on important aspects such as providing financing and non-financial services to promote microenterprises, transparency, understanding, and cooperation (Obaidullah, 2008).

As Islamic MFIs are debt-free, they may be able to help people out of poverty. As a result, they will not put their clients in a worse situation. If a client is in serious financial distress, Islamic teaching also recommends the waiver of credit (Riwajanti, 2013). IsMFIs should adequately educate their clients about Islamic financing, its execution according to *sharī'ah*, and its optimal usage for productive purposes, allowing them to retain their clients and address their sustainability issues with Islamic financing (Aslam, 2014).

According to Shahwan et al. (2018), the Islamic method includes three main sets of policies in order to alleviate poverty:

1. **Positive measures:** In order to alleviate poverty, *Islam* employs a variety of positive methods, including: (a) income growth, (b) functional distribution of income, and (c) equal opportunity.
2. **Preventive measures:** Islamic economics also ensures that preventative steps are made to ensure that wealth is not concentrated in a small group of people, such as: (a) control over ownership, and (b) prevention of malpractices.
3. **Corrective measures:** The corrective measures encourage wealth transfers, preventing wealth concentration among the wealthy. (a) compulsory transfers (*Zakah*), (b) recommended transfers (charity), (c) state responsibility (enforcement and basic needs).

4. STATISTICAL DATA ON POVERTY / PROBLEMS IN MUSLIM WORLD

The Muslim World is home to 50% of the world's poorest population.²⁵ OIC members from Sub-Saharan Africa are among the world's poorest countries. 1 out of every 5 Muslims lives in abject poverty (Syed & Genc, 2019). The study of COMCEC (2014), states that Approximately 40% of the Muslim population lives in abject poverty, with around 350 million people surviving on less than \$1.25 per day and Muslims are among the world's poorest of the poor. A cursory examination of Muslim countries today reveals that they are labelled as third world, despite the fact that they follow a secular system and enormous social achievements occurred in the Middle East as a result of new found wealth (Oil Revenue). For example, infant mortality was halved, and life expectancy rose by more than ten years. School enrollment went up substantially, and adult literacy rose from 34% in 1970 to 53% in 1990 (Middle East, n.d.). According to 2009 statistics, the bulk of people living in poverty are found in Muslim countries (Mohsin, 2013). According to the United Nations Development Program's annual report on poverty (2017), 650 million people were living in extreme poverty, with about 16% of them living in developing countries, while another 800 million people were at risk of falling back into poverty due to ethnicity, gender, and a lack of opportunities in their communities. Every day, 1 out of every 7 people on the planet goes to bed hungry. Every year, 3.1 million children die of hunger. Every day, 66 million kids go to school hungry (Syed & Genc, 2019). According to The Borgen Project (2020), *Zakah* could play a significant role in poverty alleviation in Muslim-majority communities around the world, given the magnitude of the global Muslim population. Muslims account for roughly 22% of the world's population. According to estimates, Muslim-majority countries account for around 35% of the 2 billion people living in poverty worldwide. Isahaque Ali and Zulkarnain Hatta (2014), revealed in a study on *zakah* that over half of the population in Muslim nations is poor. Furthermore, the world's regions with the largest Muslim populations, such as Africa and Asia, are seeing rising poverty rates. The Food and Agriculture Organization of the United Nations (2014) enlists more than half of the world's 57 Muslim countries as low-income, food deficit countries, and nearly half of them fall into the low category of the United Nations Development Program's Human Development Index. (FAO, 2014).

5. STATISTICAL DATA FOR REQUIREMENTS

A study was conducted by the World Economic Forum (WEF) on achieving the UN Sustainable Development Goals (SDG) for 2030. Hunger elimination is one of the UN's Sustainable Development Goals for 2030. According to the report, eradicating hunger for the world's nearly billion people would cost only \$116 billion per year (D'Urso, 2015). Syed & Genc (2019) says that the cost of feeding these 66 million starving children is merely USD 3.2 billion per year. To lift each Muslim poor person over the poverty line, 0.30111 percent of GDP is required (Shirazi, 2014). Experts estimate that eradicating world poverty will cost only \$175 billion per year for the next 20 years (The Borgen Project, 2020).

6. POTENTIAL OF *ZAKAH* AND *WAQF*:

Every year, Islamic philanthropists donate millions of dollars to fulfil their annual *Zakah* duties, which help individuals escape poverty and live in dignity. The fund is specifically created to unlock the actual potential of Islamic Giving by funding life-saving humanitarian help and responding to the Organization of Islamic Cooperation's 57 member countries' child-related Sustainable Development Goals. (UNICEF & IDB Group, 2019). Dr. Mahathir Bin Mohamad Declared that "Muslim philanthropy would be in the forefront in achieving the Sustainable Development Goals," (UNICEF & IDB Group, 2019).

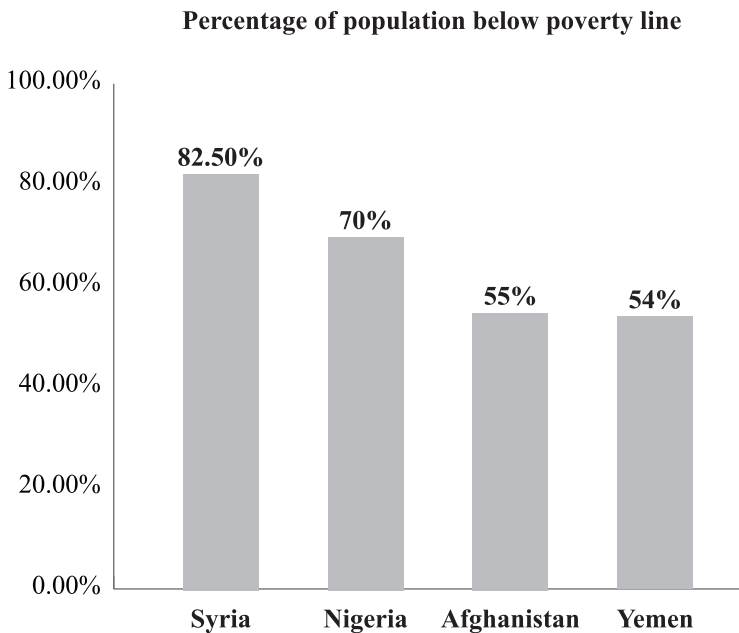
In Muslim-majority and non-Muslim communities around the world, *zakah* is an untapped resource for poverty alleviation. According to the Guardian, *zakah* is one of the major redistributions of wealth. *Zakah* is estimated to cost between \$200 billion and \$1 trillion each year. Experts estimate that eradicating world poverty will cost only \$175 billion per year for the next 20 years. *Zakah* will climb when members of the Organization of Islamic Cooperation increase their humanitarian aid to 14% of GDP. As a result, *zakah*'s potential for poverty alleviation in Muslim-majority communities grows (The Borgen Project, 2020). The Islamic Development Bank estimates that *zakah* is collected between \$230 and \$560 billion every year around the world (UNDP, 2018; Hassan, 2021). Rehman & Pickup (2018), are of the view that, given the World Economic Forum's projection of a US\$2.5 trillion yearly shortfall in SDG financing, a funding source of as much as US\$1 trillion per year cannot be overlooked.

The *waqf* properties can generate income of roughly 0.325 percent of GDP, which is more than the amount required to reduce poverty. As a result,

waqf has the ability to alleviate the poverty of the Muslim people (Shirazi, 2014). In Indonesia alone, cash *waqf* collection is expected to exceed IDR 188 trillion (approximately USD 13 billion) per year (WORLD Bank Group & INCEIF & ISRA, 2019).

Global *Sadaqah*, a charity crowdfunding platform, raised over \$250,000 in its first year from *zakah*, *Sadaqah*, and *waqf* to support initiatives such as emergency relief, refugee aid, and the construction of new mosques (Salaam Gateway, 2019).

The data above suggest that ISF has potential more than the needs of the poor. Now, societies must make the best use of that potential in order to address the difficulties that people in need face.



Source: Index Mundi

Table 1: The table given below compares various problems faced by destitute with their requirements along the potential of Instruments of Islamic social Finance like *Zakah*, *Waqf* and *Sadaqah*

No	Problems	Requirements	Potential
1	600 million people are under extreme poverty globally.	\$116 bn annually are needed to eradicate hunger for the world's nearly billion people.	\$200 bn to \$1 tr annually can be collected via <i>zakah</i> .
2	50% of the world's poorest live in Muslim Countries.	\$3.2 billion per year is the cost of feeding 66 million starving children.	0.325 % of GDP can be generated from awqaf properties.
3	1 out of every 5 Muslims are in abject poverty.	0.30111 % of GDP is required to lift each Muslim poor above the poverty line.	\$13 bn annually cash <i>waqf</i> can be collected in Indonesia alone.
4	1 out of every 7 people goes to bed hungry.	\$175 billion per year for the next 20 years is required to eradicate global poverty.	12,000 crores (INR) annually can be generated from <i>waqf</i> properties in India.
5	3.1 million children die of hunger annually.	NA	\$250,000 were raised by Global <i>Sadaqah</i> , in its first year.
6	66 million kids go to school hungry daily.	NA	NA
7	Majority of the 57 Muslim countries as low-income food deficit countries.	NA	NA

Sources: Shirazi (2014); Salam gateway (2019); Hasan (2021); Rehman & Pickup (2018); Syed & Genc (2019); The Borgen Project (2020), etc.

7. CONCLUSION AND RECOMMENDATIONS

In keeping with the spirit of *Islam*, Islamic social finance has a bigger humanitarian role to play. The purpose of Islamic social finance institutions and instruments is to ensure social justice, harmony, and equity for all members of society. Islamic social finance institutions and instruments

include untapped yet powerful institutions and instruments that can help communities bridge the growing divide between affluent and poor.

The importance of Islamic Social Finance is highlighted by the fact that the bulk of those in need live in Muslim countries. From the foregoing discussion, it is clear that, in order to achieve the best possible results in eradicating poverty, hunger, and inequalities from society in an ethical and just manner, the religious institutions of *zakah*, *waqf*, *Qard al Hassan*, and interest-free financial institutions must be revived, integrated, and adjusted according to the current needs of various societies in a hybrid model. Accomplishing this will not only eradicate the poverty of the poor and needy, but will shift them to be among the active and well-off members in their societies. The study also revealed the enormous potential of ISF, which, if fully realized, may provide a panacea for our numerous societal crises. Equally crucial is the availability of qualified human resources in this industry to ensure the proper mobilization of ISF funds while adhering to *Shari'ah* guidelines.

- Self-Help could be crucial in overcoming the problems that the Muslim community is experiencing. The optimum use of *Waqf* holdings, the optimum use of finances available through traditional charity organisations like as Zakat for education and health, and more active participation in democratic processes would all benefit the community greatly.
- *Zakah* and *waqf* collection should include the use of current technology and networking, as well as training to improve *zakah* officials' technical skills in order to expand the reach and depth of *zakah*.
- It is crucial that the *zakah* and *waqf* institution, in addition to providing material and financial protection to the poor, also helps to everyone's socio-moral and spiritual development, whether rich or poor, Muslim or non-Muslim.
- The government must take the appropriate steps to prevent misappropriation of revenues raised through *zakah* and *waqf* instruments.
- There is also a need for a complete redesign of *waqf* management, particularly in the investment sector, in order to achieve two goals: (1) increasing the efficiency and productivity of *waqf* properties, and (2) reducing fraudulent and corrupt actions by *waqf* managers .

- By improving the quality of *waqf* institutions, the capacity of *waqf* institutions to contribute to poverty alleviation can be increased. By investing in existing undeveloped *waqf* properties, can improve their quality and so increase their earnings.

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