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Qarḍ al-Ḥasan for SME Financing Using Non-permissible Earnings: Islamic FinTech Solutions for Yemeni IFIs

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Abstract

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Abstract

Non-permissible earning is an income that comes undesirably from the profits acquired as a result of the Islamic financial institutions dealing with conventional or central banks or a non-acceptable Islamic banking product by the Shari'ah committee of Islamic financial institutions. This study aims to review and discuss automating the non-permissible earnings of Islamic banks in Yemen, which is proposed to be utilized for SME financing needs. The study initiated a model on how Islamic banks can channel these unused sources of income to support SMEs in Yemen. The proposed initiative suggests the use of FinTech mechanism by using artificial intelligence (AI) technology to automate the financing activities. The model used for this initiative is the Qarḍ al-Ḥasan financing. The study follows a series of approaches to achieve its objectives. A descriptive approach was used to study subject matter. The study uses the comparative analytical approach to analyze and compare the annual financial reports issued by the largest Islamic banks in Yemen. The study finds the Islamic banks possessed a very good opportunity to financing SMEs by channeling the non-permissible earnings through a specific Qarḍ al-Ḥasan platform. The study concludes with a number of recommendations including the creation of a platform that will serve as a special fund generator specifically for SME financing depending on the non-permissible earnings of the Islamic banks. The study also proposes the use of artificial intelligence

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technology to help in executing the financing model. The study has also developed a special supervisory policy and regulations that would guide and support the proposed model, which is named Qard al-Hasan financing via FinTech (QAFF). © 2023, The Author(s), under exclusive license to Springer Nature Switzerland AG.

Author keywords

Islamic FinTech; Non-permissible earning; Qard al-Hasan; SMEs

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