

# ECONOMICS OF ISLAMIC SOCIAL FINANCE

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First Edition 2026  
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Perpustakaan Negara Malaysia

Cataloguing-in-Publication Data

Mohamed Asmy Mohd Thas Thaker, Anwar Allah Pitchay, Norma Md Saad,  
Md Fouad Amin and Mustafa Omar Mohammed  
Economics of Islamic Social Finance  
ISBN 978-629-94531-4-7

1.Economics  
2.Islamic Social Finance  
3.Social Finance  
4.Education  
I. Title.  
297.272

*Published in Malaysia by*  
Inthought Sdn Bhd - 729104-X  
No 24 Taman Permai Jaya  
Batu 9.5, Jalan Gombak  
53100 Kuala Lumpur

*with the cooperation of*  
International Institute of  
Islamic Thought  
East and South-East Asia  
Level 4, KICT Building  
International Islamic University Malaysia  
53100 Kuala Lumpur Malaysia  
Tel: +603-6421 2991 Em: admin@iitesea.org

*Printed in Malaysia*

## TABLE OF CONTENTS

<b>PREFACE</b>	<b>i</b>
<b>AUTHOR'S PROFILE</b>	<b>iii</b>
<b>OBJECTIVES</b>	<b>vii</b>
<b>ABBREVIATIONS</b>	<b>xi</b>
<b>CHAPTER 1: SOCIAL FINANCE: DEFINITION, SIGNIFICANCE, ROLE, AND MODELS</b>	<b>1</b>
Learning Outcomes	1
Chapter Preview	2
Concept, Key Aspects and Significance of Social Finance	3
Concept of Social Finance	3
Case Study 1.1: The Gates Foundation and Philanthrocapitalism	5
Key Aspects of Social Finance	7
Significance of Social Finance	8
Social Finance and Microeconomic Objectives	9
Social Finance and Macroeconomic Objectives	10
Issues in Conventional Social Finance	11
The Role of Islamic Social Finance in History	15
Concept of Islamic Social Finance	15
Significance of Islamic Social Finance	16
History of Islamic Social Finance	17
Role of Islamic Social Finance	20
Summary	23
List of References	24
Further References	25
Multiple-Choice Questions (MCQs)	26
True/False Questions (T/F)	28
Essay Questions	29
Answer Schemes for MCQs, T/F Questions, and Essay Question	30
Answers for the MCQs	30
Answers for the T/F Questions	30
Answers for the Essay Questions	30
Key Terms and Concepts	33

<b>CHAPTER 2: MACROECONOMIC OBJECTIVES AND ISLAMIC SOCIAL FINANCE</b>	<b>35</b>		
Learning Outcomes	35		
Chapter Preview	36		
Islamic Social Finance: Principles and Mechanisms -	36		
Explanation of Key Principles			
Description of Main Mechanisms	37		
Historical Background and Evolution of Islamic Finance	38		
Islamic Social Finance and Macroeconomic Objectives	39		
Islamic Social Finance and Poverty Eradication	39		
Islamic Social Finance and Economic Development	46		
Islamic Social Finance and Employment Generation	49		
Islamic Social Finance and Wealth Distribution	51		
Islamic Social Finance and Fiscal Policy	53		
Summary	56		
List of References	57		
Further References	59		
Multiple-Choice Questions (MCQs)	60		
True/False Questions (T/F)	62		
Essay Questions	63		
Answer Schemes for MCQs, T/F Questions, and Essay Questions	64		
Answers for the MCQs	64		
Answers for the T/F Questions	64		
Answers for the Essay Questions	64		
Key Terms and Concepts	66		
 <b>CHAPTER 3: OVERVIEW OF ISLAMIC SOCIAL FINANCE INSTITUTIONS AND INSTRUMENTS</b>	 <b>67</b>		
Learning Outcomes	67		
Chapter Preview	68		
Zakat	68		
Concept of Zakat	68		
Principles of Zakat	69		
Benefits of Zakat	70		
Case Study 3.1: National Amil Zakat Agency (BAZNAS)-Indonesia	71		
Sadaqah	73		
Concept of Sadaqah	73		
Principles of Sadaqah	74		
Benefits of Sadaqah	74		
		<i>Qard al-Hasan</i>	76
		Concept of <i>Qard al-Hasan</i>	76
		Principles of <i>Qard al-Hasan</i>	78
		Benefits of <i>Qard Al-Hasan</i>	78
		Case Study 3.2: <i>Qard al-Hasan</i> -based <i>Akhuwat</i> Islamic Microfinance ( <i>Akhuwat</i> IM) in Pakistan	79
		Waqf	81
		Concept of Waqf	81
		Principles of Waqf	82
		Benefits of Waqf	82
		Case Study 3.3: Waqaf An-Nur Corporation	83
		Islamic Microfinance	85
		Concept of Islamic Microfinance	85
		Principles of Islamic Microfinance	86
		Benefits of Islamic Microfinance	86
		Case Study 3.4: <i>Amanah</i> Ikhtiar Malaysia (AIM)	88
		Other Islamic Social Finance Instruments	90
		<i>Ar-Rahnu</i>	90
		Concept of <i>Ar-Rahnu</i>	90
		Principles of <i>Ar-Rahnu</i>	90
		Benefits of <i>Ar-Rahnu</i>	91
		Case Study 3.5: <i>Ar-Rahnu Tawarruq</i> of Bank Islam Malaysia Berhad	92
		<i>Takaful</i>	93
		Concept of <i>Takaful</i>	93
		Principles of <i>Takaful</i>	95
		Benefits of <i>Takaful</i>	96
		Summary	97
		List of References	98
		Further References	101
		Multiple-Choice Questions (MCQs)	102
		True/False Questions (T/F)	104
		Essay Questions	105
		Answer Schemes for MCQs, T/F Questions, and Essay Questions	106
		Answers for the MCQs	106
		Answers for the T/F Questions	106
		Answers for the Essay Questions	106
		Key Terms and Concepts	108



<b>CHAPTER 7: ISLAMIC SOCIAL FINANCE IN THE DIGITAL ERA</b>	<b>213</b>
Learning Outcomes	213
Chapter Preview	214
Islamic Social Finance and Fintech	214
The Scope of fintech within Islamic Social Finance	215
Islamic Social Finance and Crowdfunding	217
Definition and Principles	217
Types of Islamic Crowdfunding	218
Shari'ah Compliance in Crowdfunding	218
Islamic Social Finance and Blockchain	219
Applications of Blockchain in Islamic Social Finance	220
Summary	223
List of References	224
Further References	227
Multiple-Choice Questions (MCQs)	228
True/False Questions (T/F)	230
Essay Questions	231
Answer Schemes for MCQs, T/F Questions, and Essay Question	232
Answers for the MCQs	232
Answers for the T/F Questions	232
Answers for the Essay Questions	232
Key Terms and Concepts	234
<b>CHAPTER 8: ISLAMIC SOCIAL FINANCE AND SUSTAINABLE DEVELOPMENT GOALS</b>	<b>237</b>
Learning Outcomes	237
Chapter Preview	238
Islamic Social Finance and Sustainable Development Goals	238
How Islamic Social Finance Supports the Sustainable Development Goals	239
SDG 1: No Poverty	239
SDG 3: Good Health and Well-Being	239
SDG 4: Quality Education	241
SDG 5: Gender Equality	244
SDG 6: Clean Water and Sanitation	246
SDG 8: Decent Work and Economic Growth	248
SDG 10: Reduced Inequalities	250
SDG 13: Climate Action	252
Summary	255
List of References	256
Further References	257
Multiple-Choice Questions (MCQs)	259
True/False Questions (T/F)	261
Essay Questions	261
Answer Schemes for MCQs, T/F Questions, and Essay Questions	262
Answers for the MCQs	262
Answers for the T/F Questions	262
Answers for the Essay Questions	262
Key Terms and Concept	264

<b>CHAPTER 9: EVIDENCE-BASED PRACTICE OF ISLAMIC SOCIAL FINANCE IN SELECTED COUNTRIES</b>	<b>267</b>
Learning Outcomes	267
Chapter Preview	268
Case Study of Islamic Social Finance in Türkiye	268
Case Study 9.1: Türkiye Diyanet Foundation	269
Case Study 9.2: İzzet Baysal Foundation	271
Case Study 9.3: Turkish Grameen Microfinance Program	273
Case Study of Islamic Social Finance in Pakistan	274
Case Study 9.4: Mezzan Bank	275
Case Study 9.5: <i>Akhawat</i> Foundation	277
Case Study of Islamic Social Finance in Kingdom of Saudi Arabia	279
Case Study 9.6: Alkhabeer Capital	279
Case Study of Islamic Social Finance in Indonesia	282
Case Study 9.7: Dompot Dhuafa Republika	282
Case Study of Islamic Social Finance in Malaysia	284
Case Study 9.8: Sadaqa House by Bank Islam Malaysia Berhad (BIMB)	285
Case Study 9.9: Corporate Waqf: Johor Corporation's Waqaf Al-Noor	287
Case Study of Islamic Social Finance in the United Kingdom	289
Case Study 9.10: Ar Rayan Bank	289
Case Study 9.11: National Zakat Foundation	291
Case Study 9.12: National Waqf	292
Summary	294
List of References	295
Further References	296
Multiple-Choice Questions (MCQs)	297
True/False Questions (T/F)	298
Essay Questions	299
Answer Schemes for MCQs, T/F Questions, and Essay Questions	300
Answers for the MCQs	300
Answers for the T/F Questions	300
Answers for the Essay Questions	300
Key Terms and Concepts	302
<b>FIGURES</b>	
Figure 2.1 Mechanisms of Islamic Social Finance	37
Figure 2.2 Islamic Social Finance and Poverty Eradication	40
Figure 2.3 Islamic Social Finance and Economic Development	47
Figure 3.1 Ain Waqf and Reinvestment of Waqaf An-Nur	84
Figure 3.2 Community Development	84
Figure 4.1 The Dimensions of Zakat	112
Figure 4.2 Extraction of the European Third Sector Model	113
Figure 4.3 A Generic Crowdfunding Platform for Zakat Collection	118
Figure 4.4 Integrated Waqf based Islamic Microfinance Model (IWIMM)	119
Figure 4.5 Crowdfunding Platform to Solicit Zakat Funds for Investment	122

Figure 5.1 Waqf Governance Structure in Malaysia	162
Figure 5.2 Summary of the Waqf-Based Mechanism of Income Redistribution (cited from Said Brahim, 2012)	165
Figure 6.1 Islamic Microfinance Structures	181
Figure 6.2 Sources of Conventional Microfinance Funds	183
Figure 6.3 Sources of Islamic Microfinance Funds	184
Figure 6.4 Grameen-Jameel Microfinance Model	186
Figure 6.5 <i>Qard al-Hasan</i> (benevolence loan)	187
Figure 6.6 <i>Murabahah</i> (cost-plus financing/mark up sale)	189
Figure 6.7 <i>Mudharabah</i> (profit-loss sharing)	190
Figure 6.8 <i>Musharakah Mutanaqisa</i> (diminishing partnership)	192
Figure 9.1 Türkiye Diyanet Foundation	269
Figure 9.2 Izzet Baysal Foundation	272
Figure 9.3 Turkish Grameen Microfinance Program	274
Figure 9.4 Mezzan Bank's Program	275
Figure 9.5 <i>Akhuwat</i> Foundation	277
Figure 9.6 Alkhabeer Capital Range of Services	279
Figure 9.7 Alkhabeer Capital Subscription Process	280
Figure 9.8 Scheme of Alkhabeer Waqf Fund	281
Figure 9.9 Ar Rayan Bank Islamic Social Activities	289
Figure 9.10 National Zakat Foundation Activities	291
Figure 9.11 National Waqf Activities	292

## TABLES

Table 1.1 Overview of the Key Roles and Contributions of Islamic Social Finance	20
Table 3.1 BAZNAS at a Glance	72
Table 3.2 Collection and Distribution of Zakat	72
Table 3.3 <i>Qard al-Hasan</i> Based Programs	80
Table 3.4 Differences between Conventional and Islamic MFIs	85
Table 3.5 Islamic Microfinance Schemes of AIM	89
Table 3.6 <i>Takaful</i> vs Conventional Insurance	94
Table 4.1 <i>Nisab</i> and Zakat Rate for Sheep	115
Table 4.2 <i>Nisab</i> and Zakat Rate for Camel	115
Table 4.3 <i>Nisab</i> and Zakat Rate for Cow	116
Table 4.4 Methods of Computing Zakat on Business Inventory	116
Table 6.1 Comparison between Islamic Microfinance Institutions (IMFIs) and Conventional Microfinance Institutions (CMFIs)	185
Table 6.2 Key Contemporary Economic Issues faced by Islamic Microfinance Institutions	200
Table 9.1 Sadaqa House Funding Structure	285

## PREFACE

The International Institute of Islamic Thought was established as an educational trust in 1981 to promote research and publications to aid in the education of the *ummah*. As part of its IOK agenda, the IIIT has consistently called for a critical evaluation of existing disciplines and their methodologies - a call for epistemological reform based on twin sources of knowledge i.e. revelation and the universe. The aim was to re-mould disciplines taught in universities that would project the Islamic worldview in those disciplines for the betterment of the *ummah* and humanity at large.

The late Ismail Raji al-Faruqi, one of the founders of the IIIT in his IOK-Principles and Workplan (1982) talked about the need to develop textbooks that required 'mastery of both modern knowledge and Islamic heritage' and based on a critical evaluation of both - to have creative synthesis. More recently another co-founder of the IIIT- the late AbdulHamid Abu Sulayman (who was 2nd Rector of the International Islamic University Malaysia from 1988-1998)- initiated the Textbook/Teaching Materials Project (TMP) that was meant to produce books to be utilised for courses being taught at the IIUM. This was backed up with generous research funding from the IIIT.

Since late 2017, the TMP has been introduced not only in the IIUM, but also in a few other institutions of higher learning. Funds are granted to academics teaching a specific course/s to produce a course-book that would be used as a main reference in a particular course/s. Proposals and manuscripts were reviewed and feedback conveyed to the author. In many ways, these books are still 'a work in progress'. They are not meant for commercial purposes and have rather limited distribution. The aim is to utilise these materials in class, to receive further feedback from scholars and others and to keep improving these books until they become standard textbooks to be used in the courses taught.

The book that you have in your hands now is a result of these efforts. The IIIT East and SouthEast Asia Office is pleased to contribute to this project to realise the goals of its founders.

We look forward to constructive input for further improvement.

*IIIT East and SouthEast Asia Office  
IIUM Gombak, Kuala Lumpur*

## AUTHOR'S PROFILE



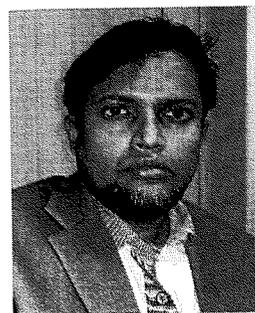
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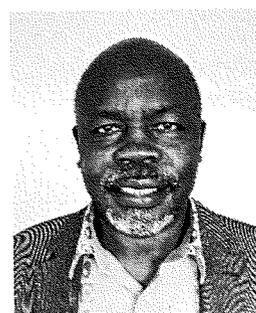
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# ECONOMICS OF ISLAMIC SOCIAL FINANCE

*"Islamic Social Finance: Theory and Practice"* explores the dynamic and evolving field of Islamic social finance, examining its theoretical underpinnings and practical applications. This comprehensive book delves into the unique principles and values that govern Islamic finance, focusing specifically on its social dimension and its potential to address contemporary socioeconomic challenges. Drawing from both classical and contemporary sources, the book investigates the theoretical foundations of Islamic social finance, exploring its historical roots and theological justifications. It highlights the interconnectedness between economic objectives and social responsibility in Islamic finance, emphasizing the role of empathy, compassion, and solidarity in achieving inclusive and sustainable development. The book begins by offering a detailed overview of Islamic finance, elucidating its ethical framework rooted in Sharia principles. It analyzes the fundamental concepts and instruments of Islamic finance, such as Zakat (obligatory alms-giving), Sadaqah (voluntary charity), Waqf (endowments), and Islamic microfinance. These mechanisms form the foundation of Islamic social finance, fostering economic justice, poverty alleviation, and community development. Moreover, *"Islamic Social Finance: Theory and Practice"* provides a comprehensive analysis of the practical applications of Islamic social finance across diverse sectors. It showcases successful case studies and innovative models from around the world, demonstrating how Islamic social finance has been effectively utilized to address societal challenges. The book explores its application in sectors such as poverty alleviation, healthcare, education, microfinance, environmental sustainability, and disaster relief. Furthermore, the book critically evaluates the regulatory frameworks and challenges faced by Islamic social finance institutions, considering issues related to governance, transparency, and impact measurement. It also examines the potential synergies between Islamic social finance and other forms of socially responsible finance, fostering cross-sector collaboration and knowledge exchange.

ISBN 978-629-94531-4-7



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