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The 3rd International Conference on Islamic Economics 2024

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"Empowerment of Islamic Philanthropy, Zakat, Waqf & Sadaqah to Achieve Socio-economic Justice"

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Preface

It is with great pleasure and anticipation that we present the proceedings of the 3rd International Conference on Islamic Economics 2024 (3rd ICONIE 2024). This conference, held at Holiday Hotel in Sarajevo, Bosnia & Herzegovina, on the 24th and 25th of April 2024, brought together scholars, practitioners, and enthusiasts from around the world to engage in fruitful discussions on the pressing issues and innovative approaches in Islamic Economics.

There were five keynote speakers which presented on various aspects of Islamic Philanthropy and 2 forums discussing on the endless possibilities of the theme "Empowerment of Islamic Philanthropy: Zakat, Waqf & Sadaqah to Achieve Socio-Economic Justice". The conference had witnessed over 40 presentations from scholars in various disciplines. Some of them contributed to this proceeding by transforming their presentations into full papers. This e-proceeding therefore documents the articles written in English language and Arabic language for future reference and a catalyst for future studies.

All in all, the conference was an enormous success and we would like to express our thanks to all participants for their contributions to the conference and also appreciated for the hard work of the committee in organising the conference. We highly believed that this conference was an engrossing and captivating discussion for every participant.

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Thank you, may Allah bless you with the greatest of blessings.

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THE ROLE OF ISLAMIC PHILANTHROPY IN SHAPING THE CIRCULAR ECONOMY

Muhamad Abduh
Accounting and Finance Programme
UBD School of Business and Economics Universiti Brunei Darussalam

Abstract

This study explores the synergistic potential of Islamic philanthropy—encompassing Zakat (mandatory almsgiving), Infaq (voluntary charity), and Waqf (endowment)—in addressing the challenges of implementing a circular economy. The circular economy, characterised by its emphasis on eliminating waste and continually utilising resources, offers a sustainable alternative to the traditional linear economic model by advocating for the reuse, repair, refurbishment, and recycling of products and materials. Despite its benefits, the transition to a circular economy faces significant barriers, including entrenched linear economic models, lack of necessary infrastructure and technology, inadequate regulatory frameworks, and the need for a shift in consumer behaviour and cross-sector collaboration. This study posits that Islamic philanthropy, with its deep roots in promoting social welfare and economic sustainability, could play a pivotal role in overcoming these challenges. By mobilising resources through Zakat for projects focused on recycling, waste management, and sustainable agriculture, encouraging Infaq donations to support innovation in circular economy practices, and utilising Waqf assets to establish sustainable businesses, Islamic philanthropy can provide crucial support for circular economy initiatives. The study underscores the importance of cross-sector collaboration and policy support to harness the full potential of Islamic philanthropy in advancing circular economy objectives, proposing a structured approach for the effective implementation and evaluation of these initiatives.

Keywords: Islamic philanthropy, circular economy, collaboration, zakat, infaq, waqf

Introduction

The concept of a circular economy, characterised by principles aimed at eliminating waste and the continual use of resources, traces its roots to several streams of thought across history and disciplines. While the term "circular economy" gained popularity in the late 20th and early 21st centuries, its underlying principles can be seen in earlier works. The notion of cycling resources to minimise waste and maximise use can be linked back to the 1960s and 1970s with the emergence of environmental movements and the publication of seminal works such as "The Limits to Growth" (1972) by Donella H. Meadows, Dennis L. Meadows, Jørgen Randers, and William W. Behrens III, which highlighted the unsustainable nature of linear economic systems.

The concept was further developed through the work of British environmental economist David W. Pearce, who, in the 1980s, advocated for a circular economy to address issues of resource depletion and sustainable development. Pearce's work, particularly his promotion of eco-efficiency and value retention in economic systems, laid a critical foundation for the circular economy framework. The Ellen MacArthur Foundation, established in 2010, has been instrumental in advancing the circular economy concept, emphasising the importance of redesigning the economic system to reuse products and materials. Their report "Towards the Circular Economy" (2013) has been pivotal in promoting the adoption of circular economy principles by businesses and policymakers worldwide.

However, implementing a circular economy faces several significant challenges that hinder its widespread adoption and effectiveness. One of the primary challenges is the deeply entrenched linear economic models prioritising short-term gains over sustainability, making the transition to circular practices economically and culturally difficult (Geissdoerfer et al., 2017). Additionally, there needs to be more infrastructure and technology designed for collecting, recycling, and remanufacturing materials, posing logistical and financial challenges (Kirchherr et al., 2017). Regulatory frameworks and policies often lag behind, failing to support or incentivise circular economy initiatives effectively (Ghisellini et al., 2016). Consumer behaviour also presents a challenge, as there is a need for a significant shift in mindset towards valuing sustainability and the lifecycle of products over convenience and cost (Stahel, 2016). Furthermore, achieving a circular economy requires cross-sector collaboration and global supply chain adjustments, which are complex and resource-intensive to implement (Lacy & Rutqvist, 2015).

Islamic philanthropy, deeply rooted in the teachings of Islam, plays a vital role in promoting social welfare and economic sustainability through its various forms, notably Zakat (obligatory almsgiving), Infaq (voluntary charity), and Waqf (endowment). Zakat, one of the Five Pillars of Islam, is a mandatory charitable contribution calculated as a fixed percentage of a Muslim's wealth, intended to purify wealth by redistributing it to those in need, thereby reducing wealth inequality and supporting social welfare (Quran, 9:60). Infaq refers to voluntary charity given beyond Zakat, motivated by compassion or the desire to help others without any obligation, thus fostering a culture of generosity and mutual support within the community. Waqf represents an Islamic endowment of property or goods for religious, educational, or charitable purposes, creating a sustainable source of income to support various societal needs over time (Benthall, 1999).

The principles underlying these forms of Islamic philanthropy harbour the significant potential to address the challenges of a circular economy. For instance, Zakat can be strategically directed to fund projects promoting resource recycling, waste reduction, and sustainable development, aligning with the circular economy's economic sustainability and environmental stewardship goals. Infaq encourages voluntary community engagement in circular initiatives, such as donating goods for reuse or investing in renewable energy projects, fostering a culture of sustainability. Waqf assets can be utilised to establish sustainable businesses or fund innovation in circular technologies, creating long-term financial support for circular economy practices. By leveraging these traditional forms of Islamic

philanthropy, there is an opportunity to mobilise considerable resources and community support towards overcoming the economic, technological, and behavioural challenges of implementing a circular economy, demonstrating a unique blend of faith-based values and sustainability principles (Atia, 2012).

Therefore, this study aims to investigate the role of Islamic philanthropy in addressing the challenges of implementing a circular economy, especially within Muslim-majority countries, focusing on identifying how Zakat, Infaq, and Waqf can contribute to overcoming barriers such as resource scarcity, lack of consumer participation, and regulatory frameworks. The study will explore innovative models of Islamic philanthropy that can support circular economy initiatives by promoting resource sharing, recycling, and sustainable development, thereby contributing to both environmental sustainability and socio-economic welfare in accordance with Islamic principles.

Literature Review

Challenges of Circular Economy

The transition from linear to circular economic models presents a substantial challenge due to the entrenched nature of linear practices that prioritise production, consumption, and disposal patterns driven by short-term economic gains. Linear models are deeply rooted in global economic systems, emphasising resource extraction and consumption without considering the long-term sustainability or the reuse of resources. This entrenched approach creates economic and cultural barriers to adopting circular principles, which aim to minimise waste and extend the lifecycle of products through reuse, repair, refurbishment, and recycling. Geissdoerfer et al. (2017) discuss how this transition requires technological innovation, investment, and a significant shift in business models, consumer behaviour, and regulatory frameworks to enable a sustainable economic paradigm shift.

In addition to the entrenched nature of linear economic models, today's economy lacks the necessary infrastructure and technology to effectively collect, recycle, and remanufacture materials to implement a circular economy. This deficiency makes it difficult to recover efficiently and process resources, limiting the ability to create a closed-loop system that minimises waste and resource consumption. Kirchherr et al. (2017) highlight how overcoming this challenge requires significant investment in developing new technologies and establishing specialised facilities to accommodate the complexities of recycling diverse materials. Additionally, the logistics of collecting and sorting waste materials pose challenges in scaling circular practices, necessitating innovative solutions and cooperation across industries and governments.

The effectiveness of circular economy initiatives is often hampered by inadequate regulatory frameworks and policies that fail to incentivise or support the transition toward circular practices. Existing regulations may not adequately address the challenges of recycling complex materials, nor do they always provide the necessary incentives for businesses and consumers to engage in circular economy practices. Ghisellini et al. (2016) argue that for a circular economy to thrive, there is a need for comprehensive policy reforms

that facilitate this transition, including incentives for sustainable product design, the establishment of recycling standards, and support for circular business models. Such policies are essential to create a supportive environment encouraging investment in circular practices and technologies.

Another significant challenge to implementing a circular economy is changing consumer behaviour towards a more sustainable and responsible consumption pattern. The success of the circular economy relies on consumers valuing sustainability, longevity, and the ability to reuse or recycle products over the convenience and lower costs often associated with linear consumption patterns. Stahel (2016) discusses the need for a shift in mindset that embraces the principles of sustainability and actively participates in circular economy practices such as choosing products designed for longevity, engaging in recycling programs, and supporting circular business models. Changing consumer behaviour requires educational initiatives, incentives, and the development of convenient and efficient systems for participating in circular economy practices.

Islamic Philanthropy and Socio-Economic Development

Islamic philanthropy, through practices such as Zakat, Infaq, and Waqf, plays a significant role in socio-economic development. Deeply rooted in the teachings of the Quran and Hadith, these practices are designed not only as acts of faith and piety but also as mechanisms for wealth redistribution, social welfare, and community development. Zakat, one of the Five Pillars of Islam, is a mandatory process of giving a fixed portion of one's wealth to the needy, acting as a form of social security in a Muslim society. The Quran states, "Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them to increase and invoke [Allah's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing" (Quran 9:103). Zakat aims to reduce poverty and inequality by obligating those who can financially support those less fortunate, fostering a sense of solidarity and mutual support within the Islamic community. It is considered both a right of the poor and a duty of the wealthy, contributing significantly to socio-economic development.

Beik (2009) provides a detailed examination of how zakat, one of the pillars of Islamic philanthropy, plays a critical role in socio-economic development within Indonesia. The study focuses on zakat's effectiveness as a religiously mandated form of wealth redistribution and its impact on poverty alleviation efforts. The findings highlight several key points regarding the role of zakat in poverty alleviation. Firstly, the study demonstrates that zakat has a significant potential to contribute to poverty reduction by directly providing financial support to those in need and funding social welfare programs. Furthermore, the study points out that for zakat to be more effective in socio-economic development, there needs to be an improvement in the governance and transparency of zakat institutions.

Another philanthropy in Islam is Infaq. It encompasses any voluntary charity or benevolence act and is seen as a way to purify one's wealth and soul. Unlike Zakat, Infaq has no fixed amount or specific recipients and can be given to anyone in many forms. The Prophet Muhammad is reported to have said, "Even meeting your brother with a cheerful face is an act of charity" (Sahih Muslim). Infaq plays a crucial role in fostering community spirit, alleviating hardship, and voluntarily promoting social cohesion and welfare, extending beyond financial aid to include acts of kindness and support that improve societal welfare and cohesion.

Waqf refers to the permanent endowment of assets or properties for public welfare or religious purposes. The assets' income or products are allocated to support various public needs, such as education, healthcare, infrastructure, and poverty alleviation. Waqfs have historically played a crucial role in the Islamic world as institutions for socio-economic development, funding schools, hospitals, and public works. The Prophet Muhammad stated, "When a man dies, his deeds come to an end except for three things: Infaq Jariyah (ceaseless charity), a knowledge which is beneficial, or a virtuous descendant who prays for him (for the deceased)" (Sahih Muslim). This highlights the enduring impact of Waqf as a charitable act that continues to benefit society over time.

Abduh (2019) explores how Islamic philanthropy instruments like Zakat, Waqf, and infaq can significantly contribute towards achieving the United Nations' Sustainable Development Goals, especially goal number 2. It highlights the potential of these tools to fill the funding gap for sustainable agriculture, food security, and nutrition improvements, emphasising the need for collective action and innovative financial solutions to address global hunger and sustainable agriculture challenges. The study finds that Islamic philanthropy instruments have significant potential to achieve Sustainable Development Goal 2: End Hunger, Achieve Food Security and Improved Nutrition, and Promote Sustainable Agriculture. The research underscores the importance of innovative financial solutions and collective action in leveraging Islamic philanthropy to address global socio-economic challenges.

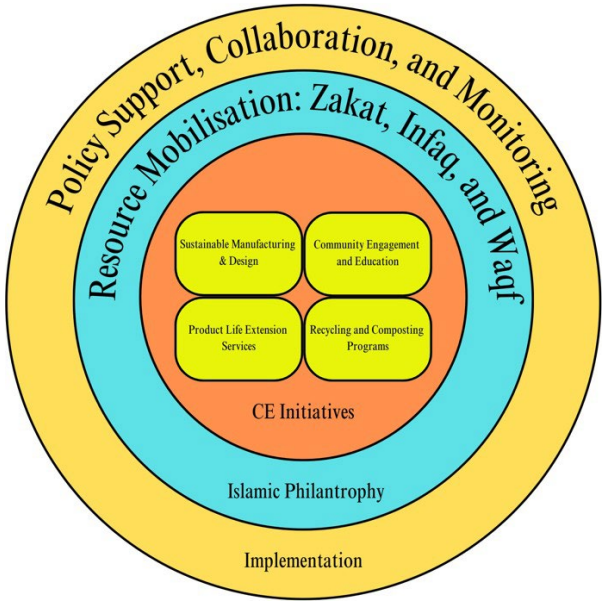
Proposed Collaboration Framework

This study proposes a theoretical framework around sustainable socio-economic development through the lens of Islamic ethics and environmental stewardship to connect Islamic philanthropy's principles with the circular economy's goals, emphasising the potential of Islamic philanthropy and the challenges faced by the circular economy. The framework focuses on four main discussions, which are (i) resource mobilisation through Islamic philanthropy, (ii) circular economy initiatives and how Islamic philanthropy can support, (iii) community engagement and education, and (iv) policy support and collaboration (see Figure 1).

Resource Mobilization through Islamic Philanthropy

One of the major concerns in many projects is access to resources. In this framework, the government and relevant authorities can establish dedicated Zakat funds to finance projects focused on recycling, waste management, and sustainable agriculture, targeting the environmental sector as a legitimate beneficiary under the Zakat eligibility categories (i.e. fii sabiilillah). In addition, the societies are encouraged to make Infaq donations to support innovation in circular economy practices, such as developing biodegradable materials and renewable energy sources, fostering a culture of voluntary support for sustainability. Furthermore, it motivates societies to perform waqf to create or support sustainable infrastructure projects, including renewable energy plants, water conservation systems, and eco-friendly urban developments, ensuring long-term investment in environmental sustainability.

Figure 1. Proposed Collaboration Framework



Source: Author's

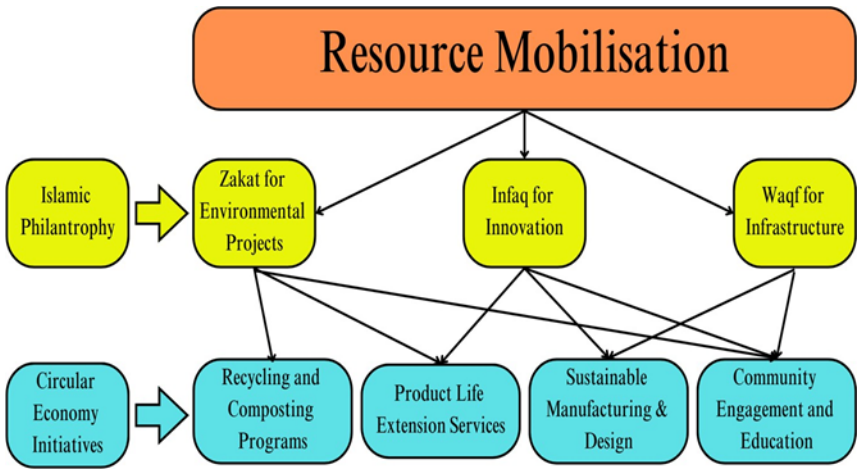
Circular Economy Initiatives and the Support from Islamic Philanthropy

Three circular economy initiatives are Sustainable Manufacturing and Design, Product Life Extension Services, and Recycling and Composting Programs (Geissdoerfer et al., 2017). These initiatives aim to minimise waste and make the most of resources. Sustainable manufacturing and design focuses on creating products that reduce waste and

environmental impact. This involves using renewable resources, minimising energy consumption, and designing products for durability, reparability, and recyclability. Meanwhile, product life extension services aim to extend the usable life of products through repair, maintenance, refurbishment, and upgrading. This approach reduces the need for new resources and lowers the environmental impact associated with the production and disposal of goods. As for the recycling and composting programs, they are essential for redirecting waste away from landfills and incinerators and back into productive use. Recycling involves converting waste materials into new products while composting decomposes organic material into nutrient-rich soil.

This framework encourages Islamic philanthropic funds to invest in businesses and startups that focus on sustainable product design and manufacturing processes that minimise waste and promote the reuse and recycling of materials. It also supports services that extend the life of products through repair, refurbishment, and upgrading, utilising Zakat and Infaq funds to subsidise these services for lower-income communities, promoting inclusivity and sustainability. It also encourages funding community-based recycling and composting programs, focusing on education, infrastructure, and incentives to increase participation and efficiency in waste management. Figure 2 displays the framework for resource mobilisation from Islamic philanthropy to circular economy initiatives.

Figure 2. Resource Mobilisation from Islamic Philanthropy to Circular Economy



Source: Author's

Community Engagement and Education

Integrating Islamic values with initiatives to foster community engagement and education in the context of a circular economy presents a unique opportunity to address

environmental challenges while adhering to cultural and religious principles. Awareness campaigns play a critical role in this regard, enlightening communities about the importance of waste reduction, resource conservation, and adopting sustainable living practices. These campaigns are significantly enriched by drawing on Islamic teachings that emphasise stewardship of the Earth, encouraging a spiritual and moral motivation for environmental protection. By framing environmental conservation efforts within the context of Islamic values, such initiatives can achieve deeper resonance within Muslim communities, fostering a sense of responsibility and collective action towards sustainable development.

In parallel, skill development and job creation initiatives, underpinned by Islamic philanthropy, offer practical pathways to embedding circular economy practices within the fabric of communities. Training programs specifically designed to impart skills related to recycling, sustainable agriculture, and the installation of renewable energy systems contribute to environmental sustainability and offer economic benefits through job creation. This approach aligns with the Islamic principles of zakat (charity) and Infaq (voluntary charity), channelling resources towards creating opportunities that benefit both the individual and the community at large. Such efforts underscore the potential of Islamic philanthropy as a powerful tool in advancing circular economy objectives, highlighting the synergies between faith-based values and sustainable development goals and ultimately enhancing community resilience in the face of environmental challenges.

Policy Support and Collaboration

Islamic philanthropy's engagement in policy advocacy represents a transformative approach towards embedding circular economy practices within the framework of global sustainability efforts. By actively advocating for policies that facilitate circular economy initiatives and encourage Islamic philanthropic contributions toward environmental sustainability, there is a significant opportunity to influence public and private sector strategies. Engaging with government, industry, and civil society stakeholders, Islamic philanthropic organisations can help ensure that sustainable practices are encouraged and integrated into national development plans. This collaborative approach aims to create a conducive policy environment that aligns economic development with ecological stewardship, leveraging Islamic teachings' ethical and moral imperatives to foster a more sustainable future.

Furthermore, the creation of cross-sector partnerships stands as a cornerstone for realising the goals of the circular economy. By fostering alliances between Islamic philanthropic organisations, environmental NGOs, businesses, and government agencies, a multifaceted network of stakeholders emerges dedicated to advancing sustainable practices. These partnerships are pivotal, as they combine diverse resources, knowledge, and expertise to implement circular economy projects on a larger scale. The collaboration facilitates the pooling of financial, technical, and human resources, maximising the impact of initiatives to reduce waste, promote resource efficiency, and enhance environmental sustainability. Through these cooperative efforts, Islamic philanthropy can catalyse significant progress

in the transition towards a circular economy, demonstrating the power of collective action in addressing complex environmental challenges.

The development of a clear and comprehensive implementation framework is essential for the effective allocation and utilisation of Islamic philanthropic funds in support of circular economy initiatives. This framework should outline specific criteria for selecting projects, ensuring alignment with both the principles of environmental sustainability and the charitable goals of Islamic philanthropy. It must also detail the funding mechanisms and partnership models, providing a blueprint for collaboration that respects the values and objectives of all stakeholders involved. By establishing a structured approach to project implementation, Islamic philanthropic organisations can ensure that their contributions are directed towards initiatives that offer the greatest potential for positive environmental and social outcomes, facilitating a strategic and impactful engagement with the circular economy.

Lastly, robust monitoring and evaluation mechanisms must be considered. These systems are crucial for assessing the effectiveness and impact of projects funded by Islamic philanthropy in the realm of the circular economy. Through diligent monitoring and thorough evaluation, stakeholders can gain insights into the successes and areas for improvement, enabling continuous refinement of strategies and approaches. This process ensures accountability and transparency, providing donors, partners, and the wider community with evidence of the tangible benefits of their investments and efforts. By prioritising these evaluative practices, Islamic philanthropic organisations can demonstrate their commitment to environmental and socio-economic development and inspire confidence and trust among all participants in the journey towards a sustainable and resilient future.

Conclusion

The investigation into the convergence of Islamic philanthropy and circular economy principles highlights the transformative potential of integrating religiously motivated philanthropy with environmental sustainability efforts. Islamic philanthropy, encompassing Zakat, Infaq, and Waqf, presents a unique opportunity to mobilise resources, foster community engagement, and support policy initiatives that advance the circular economy's goals. These traditional forms of philanthropy offer financial resources and a value-based framework that can inspire and legitimise sustainable practices within Muslim-majority communities. This synergy between Islamic philanthropy and circular economy practices can address some of the most pressing challenges of our time, including resource depletion, waste accumulation, and socio-economic inequality. The study underscores the necessity of innovative models that leverage Islamic philanthropy for environmental and economic resilience, advocating for a collaborative approach that includes government, business, and civil society stakeholders.

Furthermore, the proposed collaboration framework emphasises the critical role of policy support, education, and community engagement in realising the circular economy's

potential through Islamic philanthropic mechanisms. By outlining specific strategies for resource mobilisation, circular economy initiatives, and cross-sector partnerships, this research provides a blueprint for integrating faith-based values with environmental stewardship. The findings suggest that by embracing the principles of Islamic philanthropy, there is a substantial opportunity to enhance environmental sustainability and strengthen socio-economic development in Muslim-majority countries and beyond. The study calls for continued exploration and empirical research to refine these models and fully understand the impact of Islamic philanthropy on the circular economy, paving the way for a more sustainable and equitable global economy.

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PROSPECTS OF VALUE-BASED INTERMEDIATION:RE-DESIGNING ISLAMIC BANKING FOR SUSTAINABLE DEVELOPMENT

Shahida Shahimi
Siti Aisyah Zahari
Research Center for Sustainable and Inclusive Development
Faculty of Economics and Management
Universiti Kebangsaan Malaysia
shahida@ukm.edu.my
p120251@siswa.ukm.edu.my

ABSTRACT

The evolving landscape of Islamic finance is witnessing a significant paradigm shift with the introduction of value-based intermediation (VBI). This paper analyzes the prospects of VBI as the new approach in Islamic banking, emphasizing its potential to redefine the role of Islamic finance in promoting sustainable economic, social, and environmental development. A qualitative document analysis method is employed to generate an in-depth and multi-faceted understanding of VBI implementation in selected Malaysian Islamic banking institutions. The data is analyzed based on the content and thematic analyses. Through examples of various VBI initiatives, the paper highlights how VBI fosters environmental well-being, promotes social equity, and strengthens governance within the financial sector. This paper posits that VBI offers a promising future for Islamic banking, aligning it more closely with ethical finance and sustainable development. The successful implementation of VBI can position Islamic banks as leaders in ethical and responsible banking, setting a benchmark for the global financial industry. The Central Bank of Malaysia (BNM) has been instrumental in promoting VBI frameworks. This support is seen as a catalyst for widespread adoption of VBI principles across the Islamic banking sector globally.

Keywords: impact banking, Islamic banking, sustainable development, value-based banking

Introduction

Islamic finance, rooted in ethical principles and Shariah compliance, has rapidly ascended the global financial landscape, expecting to reach $5.94 trillion by 2025/2026 and growing at a Compound Annual growth Rate (CAGR) of 9% (State of Islamic Economic Report-SGIE, 2023/2024). Malaysia has positioned itself as the global leader in Islamic finance development as measured by the Islamic Finance Development Indicator (IFDI). The IFDI, encompassing data from 136 countries and encompassing over 10 key metrics offers a robust metric for gauging the industry's progress (Islamic Corporation for The Development of The Private Sector-ICD, 2023). In the latest rankings, Malaysia achieved a commanding score of 103, surpassing other countries such as Saudi Arabia (70), Indonesia (58), Bahrain

(54), Kuwait (54), and the UAE (53). This prominent position underscores Malaysia's unwavering commitment to fostering a dynamic and impactful Islamic finance ecosystem.

The intention is to advance principles of justice, wealth preservation, and wealth circulation, in accordance with Maqasid al-Shariah principles that aim to minimize unjust components such as uncertainty and exploitations (United Nation Development Programme-UNDP, 2023). This aligns with the Financial Sector Blueprint 2022-2026 set by Central Bank of Malaysia (BNM), which emphasizes on three key themes: 1) Finance for all; 2) Finance for transformation and; 3) Finance for sustainability. The FSB also details five strategic thrusts (ST) that BNM will use to achieve these goals. These strategic thrusts include: 1) Funding Malaysia's economic transformation; 2) Elevating the financial well-being of households and businesses; 3) Advancing the digitalization of the financial sector; 4) Positioning the financial system to facilitate an orderly transition into the greener economy and; 5) Advancing value-based finance through Islamic finance leadership. This paradigm shift has led to the introduction of value-based intermediation (VBI), a paradigm reshaping Islamic finance's role in promoting financial justice, wealth preservation, and responsible wealth circulation, ultimately fostering sustainable development.

BNM (2022) on their annual report stated that the Islamic finance sector has facilitated RM302.2 billion in VBI-aligned efforts since the introduction of the Strategy Paper on Value-based Intermediation (VBI) in 2017, representing 16% of the total market share for the core product sectors of financing, investment, deposit, and investment account. Aside from that, according in 2023, AIBIM has announced the release of the third cohort of VBIAF Sectoral Guidance by the Sectoral Guidance Working Group (Working Group) on Value-Based Intermediary Financing and Investment Impact Assessment Framework (VBIAF).

Despite its immense potential, translating Islamic banking into tangible social and environmental impact remains a hurdle. There is an absence of insights on the prospects of VBI as the new approach in Islamic banking that extends beyond traditional Islamic banking practices and in promoting SDGs. Conventional methods have not completely produced the intended results, hence requiring a more intentional shift towards VBI. Ismail et al. (2020) had identified that the Islamic banking was unaware of the VBI initiatives from the time it was introduced. The implementation options for VBI are limited due to the ongoing learning process of Islamic banks, particularly CoP members, in utilizing them (Shafruddin and Shahimi, 2023). While each type of entities has their respective mandates, governance structure, rules, and regulations, the VBI approach can be a game changer to accelerate their transition to sustainable and inclusive practices (UNDP, 2023). Therefore, it is vital to explore the prospect of VBI initiative in the Islamic banking practices in enhancing services provided by the bank and leading towards achieving the intended outcomes and sustainability agenda.

This paper analyzes the prospects of VBI as the new approach in Islamic banking, emphasizing its potential to redefine the role of Islamic finance in promoting sustainable economic, social, and environmental development. It highlights how VBI extends beyond

traditional Islamic banking practices by prioritizing long-term societal and ecological benefits over short-term gains. This shift will increase the positive contribution of Islamic banking to society and the environment and thus, attract new investors and boost the growth of the Islamic banking industry.

This study will focus on the Islamic banking institution in Malaysia with high level of adoption. The remainder of the study has been organized as follows: Section 2 summaries the literature review regarding VBI within Islamic banking landscape in Malaysia. methods used to conduct this study. Section 3 describes the research design used to conduct this study, followed by the presentation of the findings and analysis of this study in section 4. The study concludes with the main findings, recommendations, and limitations in Section 5.

Literature Review

Islamic Banking

Based on the Islamic Finance Development Indicator (IFDI) (2022), the worldwide assets of the Islamic finance sector grew by 17% between 2020 and 2021, surpassing US$4.0 trillion. Despite its small market share rather than conventional counterpart, Islamic banking has experienced significant growth over the last few decades. Islamic banking refers to a financial system that operates in accordance with Islamic law or known as Shariah (BNM, 2024). Shariah jurisprudence does not distinguish between religious and non-religious components of life, including transactions that fall under the political, economic, or social domains (muamalat), in contrast to legal systems that are restricted to secular aspects of daily life (Hussain et al., 2015). This is due to its operations are guided by principles derived from the Quran, Hadith, Ijma,' and Qiyas. Meanwhile, the conventional banking system relies solely on human reasoning and intellect. This fundamental difference leads to the Islamic banking system being distinct from the conventional banking system.

Unlike conventional banking, Islamic banking prohibit interest (riba), gambling (maysir), and speculative trade (gharar) (Arshad et al., 2018) as anchored in the Quran and Hadith. The central tenet of Islamic banking is the prohibition of interest, which stands in stark contrast to conventional banking systems that primarily rely on interest-based transactions. Islamic banking operates on the principles of profit and loss sharing, in line with the rules of Shariah (Maali et al., 2006). This system is based on the principles of mudarabah and musharakah, allowing for the sharing of profits and losses between the bank and its clients (Grassa, 2012). Islamic banking's profit and loss sharing system provides an alternative to the interest-based system of conventional banking, emphasizing the equal distribution of income and encouraging risk-sharing rather than risk-transferring, reflecting the principles of fairness and equity in Islamic finance (Abdulrahim, 2018; Lone and Bhat, 2019). This stands in contrast to conventional banks, where interest serves as a fixed cost that the borrower must bear regardless of the profitability of the venture.

Moreover, Islamic banks and conventional banks have different aims and focuses. Islamic banks operate based on *Shariah* rules and aim to provide financial services in a way that is

just and equitable for society (Biancone and Secinaro, 2022) through profit and loss sharing (Ingratubun, 2022). On the other hand, conventional banks operate based on conventional banking principles and aim to maximize profits for their shareholders (Ahmed et al., 2017). Table 1 summarizes the comparison of Islamic and conventional banking.

Table 1: The comparison of Islamic and conventional banking

Feature	Islamic Banking	Conventional Banking
Fundamental	Al-Quran, Hadith, Ijma', Qiyas	Human reasoning and intellect
Investment restrictions	Prohibition on certain industries like interest, gambling, and speculative trade	No ethical restrictions on investments
Financing method	Profit-sharing	Interest-based loans
Risk-sharing	Shared between bank and client	Primarily borne by borrower
Focus	Aligning with Shariah and aim to provide just and equitable finance for society	Profit maximization, shareholder value

Sources: Authors' own (2024)

In summary, the difference between Islamic and conventional banking lies in the fundamental principles, practices, and financial operations of both banking systems. The implication is that Islamic banking provides Shariah-compliant financial services to customers prioritizing religious demands, while conventional banking has a broader customer base without limitations and restrictions. As Islamic banking continues to evolve and adapt, its potential to contribute to a more just and equitable financial system is undeniable.

Islamic Banking in Malaysia

The roots of Islamic banking in Malaysia can be traced back to 1983 when the Central Bank, Bank Negara Malaysia, introduced the Islamic Banking Act (BNM, 2024). This led to the formal establishment of Bank Islam Malaysia Berhad (BIMB) on July 1, 1983. The primary objective of BIMB is to operate as a Shariah-based commercial bank, providing Islamic banking products and services to all communities and specifically to the Muslim population in Malaysia. The aim is to achieve resilience, continuous growth, and competitiveness over time (The Outlook Asia, 2019). Later, in 1993, BNM had launched the *Skim Perbankan Tanpa Faedah* (SPTF) / Interest-free Banking Scheme (BNM, 2023) which then known as Islamic window. Bank Negara Malaysia has granted permission for more financial institutions to provide Islamic banking products, resulting in a total of 15 commercial banks offering Islamic windows (Nasser and Muhammed, 2013).

Subsequently, on October 1, 1999, the second Islamic bank known as Bank Muamalat Malaysia Berhad (BMMB) was established by merging the assets and liabilities of three local banks namely, Bank Bumiputra Malaysia, Bank of Commerce (Malaysia), and BBMB Kewangan (BMMB, 2021). The bank's owners consist of DRB-HICOM, which owns 70% of the shares, and Khazanah Nasional Berhad, which owns the remaining shares (Malaysia International Islamic Finance Centre-MIFC, 2024).

The growing success of Islamic banking institutions in Malaysia had created new opportunities for the banking sector in the country. Apart from that, BNM did offered every bank to convert from window operations to subsidiaries (Othman et al., 2017). In 2004, the Malaysian government has granted international banks authorization to operate as full-fledged Islamic banks in Malaysia (Nasser and Muhammed, 2013). Until now, various international banks have set up full-fledged Islamic banks in Malaysia including Kuwait Finance House and Al-Rajhi Banking and Investment Corporations.

Apart from commercial banks, other financial institutions such as Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat), Bank Simpanan Nasional (BSN), and Bank Pertanian Malaysia Berhad (Agrobank) also incorporate Islamic banking concepts in their products and services. Bank Rakyat, established under the Cooperative Ordinance, began its journey as a Shariah-compliant financial institution on May 8, 1993. In 2002, Bank Rakyat transformed into a fully Shariah-compliant cooperative bank in Malaysia. On July 1, 2015, Agrobank transitioned into a fully-fledged Islamic banking institution. Furthermore, in 2022, BNM granted licenses to several banking and financial institutions to operate as Digital Banks. Two consortiums were successfully awarded licenses for digital Islamic banking under the Islamic Financial Services Act 2013 (IFSA) (BNM, 2022). This reflects the robust and advanced development of the Islamic banking industry within the Malaysian banking landscape. It demonstrates that the Islamic banking sector can competently compete with well-established conventional banks in the Malaysian banking landscape.

Value-based Intermediation (VBI)

VBI is not a new concept, as it shares common characteristic with other well-known models, such as value-based banking (VBB), socially responsible investing (SRI), environmental, social, and corporate governance (ESGs), and ethical finance (Tok and Yesuf, 2022; Raj, 2017). On the other note, VBI are poised to support the demand for VBB (BNM, 2017) which were issued by the Global Alliance for Banking on Values (GABV). The GABV, an umbrella for value-based financial institution has developed a set of principles known as the principle for VBB, which embedded the triple bottom line (People, Planet, Profit), real economy, client-centered, long-term resiliency, transparency, and culture (Shahimi et al., 2023; GABV, 2022) to deliver sustainability[1] agenda. However, the key differences

[1] See Emas (2015), Brief for GSDR 2015: The Concept of Sustainable Development: Definition and Defining Principles.

between VBB and VBI is the foundation and roots in creating a value-based system and promoting social finance (Tok and Yesuf, 2022; Javed et al., 2016).

The implementation and intended outcome of VBI in Islamic banks, which emphasizes the objectives of *Maqasid al-Shariah*, is complements with the Sustainable Development Goals (SDGs) (Alwi et al., 2021) and the Principles for Responsible Banking (PRB) promulgated in the United Nations Environment Programme Finance Initiative (Mohamed, 2022). The SDGs, issued by the United Nations in 2015, are a universal call to action, a beacon guiding us towards a future where people and planet thrive together through seventeen interconnected goals (United Nations, 2023). The primary objective of both *Maqasid al-Shariah* and SDGs is to achieve sustainable and inclusive development. For instance, the social aims of the SDGs, which aim to promote health, safety, human rights, and fair labor practices, are in line with the broader purposes of the *Shariah* and its principles (INCEIF, 2019). Although the SDGs could be part of the VBI, a full consideration should be given as it may include elements that are against *Shariah* (Mahadi et al., 2019).

VBI in Malaysia

The rapid changes and dynamism of the financial industry have necessitated Islamic bank to strive even harder, positioning Islamic finance to become a more prominent and leading agent of positive change for the financial system (BNM, 2018). This has led to the issuance of Value-Based Intermediation (VBI) on July 20, 2017, in Malaysia, reflecting a shift towards a financial system built upon the integration of ethical and sustainable principles (Ismail et al., 2020; BNM, 2017). Moreover, the VBI initiatives in Malaysia aims to achieve the holistic objective of Shariah (Mahadi et al., 2019) and maintain the Islamic banking and finance raison d'etre (Hassan and Nor, 2019). The VBI initiative helps the Islamic banks business practices goes beyond Shariah compliance by fulfilling Maqasid al-Shariah goals and producing long-term benefits for the environment, community, and economy (Ma'aruf et al., 2021; BNM, 2018).

VBI is defined as "An intermediation function that aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable return and long-term interests" (BNM, 2017). Islamic banks must ensure their business operation and strategy were in line with the four underpinning VBI principles including 1) Entrepreneurial mindset; 2) Community empowerment; 3) Good self-governance and; 4) Best conduct.

The entrepreneurial mindset refers to the expectation that Islamic banks will have a more prominent role in supporting entrepreneurial activities by providing comprehensive services such as financing, advisory, market infrastructure, and business networks while the community empowerment means that the banks take into account both commercial and social factors when making strategic decisions (BNM, 2018). Meanwhile, Islamic banks practice good self-governance by instilling discipline and including all stakeholder's participation in the governance structure (BNM, 2017). Best conduct, otherwise, involves

implementing measures to enhance Islamic banking institutions' services, procedures, and interactions with stakeholders, aiming for ongoing improvement and increased stakeholder satisfaction (AIBIM, 2021). It is expected that bank will be enjoy a better recognition of the importance of generating a favorable influence on stakeholders, as mandated by Shariah and Islam if these ideas are incorporated into the business plans of Islamic banks (Bank for International Settlement-BIS, 2017).

The introduction of VBI have received outstanding feedback from the industry stakeholders, especially the Shariah experts (Mahadi et al., 2019). On this note, BNM issued three guideline documents on October 3, 2018, to assist industry players in implementing VBI (Ismail et al., 2020). The three documents consist of the Implementation Guide for VBI, VBI Financing and Investment Impact Assessment Framework (VBIAF), and VBI Scorecard (BNM, 2018). In addition to that, BNM established the VBI Community of Practitioner (CoP) by BNM in partnership with Islamic banks to advance the VBI agenda. As of October 2021, there were 15 CoP members, including BIMB, BMMB, HSBC Amanah, CIMB Islamic Bank, Agrobank, Alliance Islamic Bank, AmBank Islamic, Maybank Islamic, Standard Saadiq Islamic Berhad, OCBC Al-Amin, Public Islamic Bank, RHB Islamic, Bank Rakyat and Affin Islamic Bank (Association of Islamic banks in Malaysia- AIBIM, 2021).

The implementation of VBI is driven by the way the banks do business, depending on the level of maturity of the institution itself (level of readiness & state of readiness). At a certain level of the implementation, it can change the business modality, behavior, products, and services, even the banking practices. Moving forward, Islamic banks should gradually accept and integrate VBI principles into their operations and offerings while ensuring compliance with Shariah requirements. With that, BNM has provided guidance to CoPs to implement the VBI initiative in their respective banks (BNM, 2020).

Research Gap

Although many studies have analysed on the VBI initiative among Islamic banks in Malaysia, none of the previous studies has assessed the prospects of VBI as the new approach in Islamic banking, emphasizing its potential to redefine the role of Islamic finance in promoting sustainable economic, social, and environmental development. Thus, to bridge the identified knowledge and empirical gap, this study aims to assess the prospects of VBI as the new approach in Islamic banking, emphasizing its potential to redefine the role of Islamic finance in promoting sustainable economic, social, and environmental development through document analysis.

Research Design

This study adopts a qualitative research approach to gain a comprehensive understanding of the implementation of VBI in selected Malaysian Islamic banking institutions. The research employs document analysis as the primary method to extract insights from bank annual reports and sustainability reports. The focus of this study is based on a purposive

selection of Malaysian Islamic banking institutions based on the Balanced Scorecard Operational Performance Measures assign by Engku Abdul Rahman et al. (2022). The inclusion criteria encompass banks that have an advanced level of VBI adoption and demonstrated a commitment to VBI principles and have publicly accessible annual reports and sustainability reports. Moreover, the chosen Islamic banks were among the CoPs' members that involved in the development of VBI Strategy paper (Engku Abdul Rahman et al., 2022). The seven Islamic banking institutions examined in this study are listed in the Table 2 below:

Table 2: Islamic banks included in the case study

No.	Bank	Category	Ownership
	BMB	Full-fledge	Local
	BMMB	Full-fledge	Local
	AmBank Islamic	Subsidiary	Local
	CIMB Islamic Bank Berhad	Subsidiary	Local
	Maybank Islamic	Subsidiary	Local
	HSBC Amanah Malaysia Berhad	Subsidiary	Foreign
	Agrobank	Non-bank financial institution	Local

The primary sources of data for this study are the annual reports and sustainability reports published by the Islamic banking institutions and AIBIM covering from 2017-2022. These documents provide a comprehensive overview of the banks' financial performance, strategic initiatives, and their commitment to VBI principles. The documents are retrieved from the official websites of the respective banks, ensuring authenticity and reliability. Then, the data were analyzed through content analysis and thematic analysis. Content analysis is employed to systematically categorize and quantify information from the documents, providing a structured overview of key elements related to VBI. Thematic analysis, on the other hand, is utilized to identify recurring themes, patterns, and underlying meanings within the qualitative data, facilitating a deeper understanding of the nuances and complexities surrounding VBI implementation. By uniting these powerful approaches, we can strive towards a more inclusive, sustainable, and ethically conscious financial landscape that drives positive impact on a global scale.

Findings And Analysis

VBI Initiatives in Malaysian Islamic Banking Institutions

In Malaysia, Islamic banking institutions have taken various initiatives to implement VBI through sustainable and responsible banking practices. Table 3 summarize the VBI initiatives by selected Islamic banks in Malaysia.

Table 3: VBI Initiatives by selected Islamic banks in Malaysia

Bank	VBI Thrusts			
	Entrepreneurial mindset	Community empowerment	Good self-governance	Best conduct
BIMB	I-TEKAD microfinance Bangkit Microfinance Targeted Relief and Recovery Facility (TRRF) Go Halal SME Financing Program (GHF)	Bangkit Microfinance Photovoltaic (PV) solar energy system Financing Personal Financing-i (Asnaf) Mobile onboarding (MOB) channel Go and Go Biz by Bank Islam Mywaqf Developed Centre of Digital Experience (CDX)	Adopted key ESG factors in its credit assessment and evaluation process. Climate Change Risk is Incorporated into the Bank's Risk Management Framework Report based on the TCFD recommendations. Engaged with international consultant to develop an ESG framework. Upholds the highest standards of integrity and ethics	Sadaqa House AMAL CSR Fund
BMMB	I-Tekad Mawaddah Commercial property financing Klinik pusrawi financing programme Working capital guarantee scheme	"save & win more kaw kaw" campaign. Retail financing and personal financing for lower-to middle income group Graduate scheme	The establishment of the cost saving initiative (CSI) Applied climate-risk consideration for non-retail customers' financing application. Introduced environmental awareness programme.	Jariah fund crowdfunding Engage in VBIAF Channeled in CSR activities and waqf project.

	Formed strategic collaboration with MukminPay and FAMA	Asb financing for undeserved low-income community Financing for preserving the natural environment. Muamalat aplication platform Duitnow QR Program smart mortgage solution	Reviewed its responsible financing policy document. Conducted training sessions for the employees	
AmBank Islamic Berhad	Financing opportunities to SMEs (Small medium enterprise) and start-ups Ambank Bizclub	Financing green sector and affordable housing.	Established sustainability framework. Established Group Sustainability Council Set up Group Sustainability Department Develop Green Financing Taxonomy Introduced Group Energy Policy Developing CCPT (Climate Change Principle Based Taxonomy) Implementation Plan	Organized workshops and events with industry experts to move the domestic green financing market forward. Channeled to community programme and undeserved communities. Invested in employee training and development programme. A member of the Joint Climate Change Committee. Participated in developing VBI scorecard, framework, guidelines, and strategy.

CIMB Islamic Bank Berhad	Halalbizready Itekad Rider Entrepreneur Programme Taylor's – CIMB Islamic Entrepreneurship Programme Microbizready (MBR) Greenbizready Pakatan Ag Tech	Pakatan Ag Tech	Green Technology Financing Training Ecosave-i Providing support to environmental and sustainable programmes	Chaired the VBI Sectoral Guideline Working Group (Cohort 1) Involve in VBI Sectoral Guideline Working Group (Cohort 2) Internal PFAN introduction and engagement with CIMB Malaysia and other regional teams. Participation in IGEM conference Participation in National Energy Awards Internal briefing campaign on green business ready Involved in Transition Sukuk Working Committee Involved in development of oil and gas VBIAF Sectoral Guide.
Maybank Islamic	Microfinance financing facilities Supportive of the CGC Portfolio Guarantee-i scheme.	Collaborate with INCEIF to uplift socio-economic condition of underprivilege. Islamic Wealth Management (IWM) solution	Adopted an ESG Risk Management Framework. Developed an ESG KPI Metric.	Publish sustainability statement. Various learning related to sustainability through Centre of Excellence platform.

	Partnering with various institution to provide various banking solution to Starts up and SME. Halal Route to Market Programme (HALMAP) Maybank SME Digital Financing Halal Awareness and Certification Programme (HACP) R.I.S.E Economic Empowerment Programme Maybank qrpaybiz	A new first-to-market Islamic corporate card Social Impact Deposit Allocated additional sales and underwriting staffs to facilitate the restructuring process for retail customers	Adopted a "No Deforestation, No New Peat, and No Exploitation (NDPE)" stance. Adopted comprehensive and stringent ESG risk impact assessment. Implementation of VBI-aligned five-year plan. Involved in discussion at the EXCO Sustainability Committee and Board Sustainability Committee Tracked its direct environmental impacts and the carbon footprint of its operations. Promote save environment practices at the office. Saving electricity. Good waste management	Report based on TCFD. Regional Ramadan Relief programme The Cahaya Kasih Employee Volunteerism Programme Ikhwan Charity Fund equips underprivileged students. Programme Bantuan Segera COVID-19 Conducted Semarak Ilmu Programme with MARA Provide educational scholarship and financial assistance. Conducted Save's a Child Heart Programme Maybank Heart crowdfunding VBI CoP Member of VBIAF Sectoral Guide (manufacturing) Staff Emergency Support (SES) Activated my pledge Initiative. Facilitated work from home arrangement

HSBC Amanah Malaysia Berhad	Participated in Government and third-party agencies' schemes to provide financial assistance to assist SME businesses. Participated in Targeted Relief Assistance (TRA) Hosted the First Joint Sustainability webinar	Providing affordable home financing Support education financing	Launched ESG Credit card. Awarded by the Asset Triple A Award Scored 51% of financing assets in line with 3Ps. Promoted innovation in products and services.	Six-month certified expert in sustainable finance courses First report on the Bank's Task Force on TCFD in Malaysia Member of UNGC Active member of JC3 Contributed to the VBIAF Sectoral Working group Cohort 2
Agrobank	Agrobank Centre of Excellence (ACE) Agrolltizam, Agro Mumtaz *Hijrah Asnaf* Agro-YES	Agro-agent being located nationwide. Mobile ATM	Environmental footprint-Energy-saving initiatives, paper-light initiative, and fleet management initiative. Institutionalization of Bank's Developmental Framework covering Governance, Process, Systems, Human Resources, and Image & Branding. Integrated reporting issuance of Sukuk Wakalah	Risk and Compliance Awareness Programmes (RCAP) Cash Waqf Dialysis Machines Agrobank & PICOMS-MAIWP Employee Assistance Programme (EAP)

Sources: AIBIM Report's (2021)

Prospect of VBI towards Sustainability

The prospect of VBI in Malaysian Islamic banking is quite **promising**, considering the principles of Islamic finance naturally align with the ethos of value-based banking. Furthermore, it is driven by the alignment with Islamic finance principles, regulatory support, growing consumer demand for ethical finance, and Malaysia's leadership in the Islamic finance sector. As the world increasingly focuses on sustainability and social response, VBI positions Malaysian Islamic banks to not only remain competitive but also to lead in these areas.

Social Aspect

First and foremost, VBI initiatives demonstrates a clear departure from traditional Islamic banking practices by emphasizing long-term societal and ecological benefits over short-term gains that highlight the principle of *Maqasid al-Shariah* (preservation of wealth), reflecting in various products that aim to enhance the entrepreneurial mindset among banking customers. Among the products and services are microfinance programs, affordable housing financing, SME, and start-ups support. This aligns with SDG 1 (No Poverty), SDG 4 (Quality education), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, innovation, and infrastructure), SDG 10 (Reduced inequalities), SDG 12 (Responsible Consumption and Production) and SDG 17 (Partnership for the Goals). These initiatives not only contribute to economic development but also address social issues, fostering inclusive financial systems and reducing inequalities.

For instance, Maybank's HalMap stance showcase a commitment to assist SME to expand their business outside of Malaysia market. Similarly, CIMB's GreenBiz-Ready and Agrobank's Agrollitzam programs prioritize sustainable financing for agricultural practices, ensuring long-term food security and environmental well-being. The CIMB GreenBizReady is a comprehensive sustainability initiative that aims to empower customers by providing them with a range of activities to support their journey towards sustainability including free training and skill developments on sustainability related topic which can enhance the SDG 4, 8, 12 and 13. In addition to that, CIMB's initiative provides customers with convenient online tools to access and monitor the advancement of their business, align with the SDG 9. Their initiative offering financial support to facilitate the move towards achieving their net zero objectives and facilitating sustainable networking, business connections, events, and interactions to expedite the transition for all CIMB customers towards environmentally friendly practices. This service is one of the best initiatives by the Islamic bank in enhancing the entrepreneurial mindset among SME and start-ups as well as the undeserved communities.

Furthermore, VBI initiatives extend beyond environmental concerns, actively striving to improve the lives of vulnerable communities. BIMB's BangKIT Microfinance, BMMB's ASB financing for the underserved low-income community and Maybank's R.I.S.E Economic Empowerment Programme is among the best initiative by the Islamic bank in empowering their social commitment to enhance overall society well-being in line with the second VBI thrust (empowering community). These programs directly address poverty and inequality, promote financial literacy, financial inclusion and empower women. Additionally, Ambank's focus on financing SMEs and underserved

communities signifies a commitment to inclusive economic growth. This were in line with SDG 1, 2 (Zero hunger), 3 (good health and well-being), 4, 8, 10, and 12.

BangKIT microfinance empowers underserved individuals with financing, business training, and mentors to kickstart and sustain their businesses. On the other hand, R.I.S.E. employs a multifaceted approach of intensive training, targeted coaching, and sustained mentorship to empower marginalized individuals and persons with disabilities, fostering income generation and financial independence within these communities. BMMB offers ASB Financing to cater to the needs of the underserved low-income communities and newly enlisted individuals in the Armed Forces.

Moreover, VBI initiative strive toward enhancing quality of education among employees and customers. In a broader sense, the financial sector can contribute to enhancing social resilience and upward mobility by integrating financial services with other customer-oriented services (such as advisory, financial education, and capacity-building) and providing more innovative products to assist customers in expanding and safeguarding their wealth (BNM, 2022). For example, Green Technology Financing Training by CIMB and Agrobank mentoring and training program through ACE had help customers and employees of Islamic banking. Through microfinance, training, mentorship, and targeted financing, the VBI initiative by the Islamic banks demonstrates an ESG-centric approach to empower underserved communities, persons with disabilities, and low-income families while promoting sustainable development.

Environment aspect

Beyond individual initiatives, VBI emerges as a transformative approach, aligning environmental protection with the core objectives of *Maqasid al-Shariah* to preserve the lineage and wealth, the SDGs and ESG indicators. The VBI approach promotes sustainable financing for environmentally friendly projects like renewable energy, clean technology, and sustainable agriculture. This initiative had created a win-win situation for Islamic bank in preserving wealth and protect the environment. For instance, BIMB's VBI initiative promotes renewable energy by providing affordable financing for installing solar panels on homes and businesses. This aligns with SDG 6, 7, 12 and 13.

Moreover, banks are implementing environmental awareness programs, fostering a culture of environmental responsibility which in turn promoting the SDG 13-Climate Action. Initiatives like promoting energy-saving practices within the bank (Agrobank) contribute toward the reducing of the environmental footprint (SDG 7 & 12). HSBC Amanah initiative by providing six-month Certified Expert in Sustainable Finance Courses equips employees with awareness and knowledge to incorporate sustainability into their work, fostering a culture of environmental responsibility within the bank.

VBI initiatives by the Islamic banking extend their positive impact on the environment through the strategic use of digital technology, aligning with SDGs 7, 9, 12, and 13. Mobile banking platforms offered by most of the selected banks are a prime example. These digital tools not only enhance convenience for customers but also contribute to

environmental preservation by reducing reliance on paper for transactions and statements. VBI can further promote paperless initiatives by encouraging customers to switch to e-statements. Finally, digital channels present an excellent opportunity to promote green financing products. Banks can use these platforms to make solar energy financing or eco-friendly savings accounts more accessible to customers, facilitating a shift towards a more sustainable financial landscape. In conclusion, VBI initiatives offer a significant pathway for Islamic banks to contribute meaningfully to environmental protection and the achievement of SDGs. By promoting responsible financing practices and environmental awareness, VBI paves the way for a more sustainable future.

Governance aspect

VBI also emphasizes transparency and accountability through robust ESG considerations and governance frameworks. Maybank's adoption of a comprehensive ESG risk assessment and Agrobank's issuance of integrated reporting for Sukuk Wakalah exemplify this commitment. Ambank Islamic prioritizes transparency and responsible action by implementing robust sustainability frameworks, including a dedicated Council and Department, and by developing comprehensive policies like the Green Financing Taxonomy and Energy Policy. This commitment ensures stakeholders are informed and engaged in building a sustainable future together. Such practices ensure sustainable financing decisions and strengthen public trust in the financial system, aligning with SDG 16 on good governance and responsible institutions.

The collaborative spirit of VBI is another promising aspect. The examples include BMMB's strategic collaboration with MukminPay and FAMA, and Agrobank's cash waqf dialysis program. The collaboration between MukminPay, FAMA, and BMMB presents a powerful model for fostering sustainable development in the agricultural sector through digital platform. On the other hand, Agrobank's initiative with PICOMS aiming to help address the critical issues arising from the shortage of equipment needed in order to meet the increasing demand of dialysis treatment for renal patients as well as to ease the burden of increasing dialysis treatment costs especially to the poor and the less fortunate (Agrobank, 2024).

Apart from the collaboration, the bank's initiative by joining and implementing various international guidelines had strengthened their partnership with various international institutions. BMMB initiative by joining the GABV as well as HSBC Amanah commitment toward UN Global Compact (UNGC) and Joint Committee on Climate Change (JC3) also fostering collaboration and good governance in Islamic banking. By working alongside other financial institutions that committed toward sustainability, Malaysian banks could contribute to a stronger and more responsible financial ecosystem. These partnerships and collaboration pave the way for knowledge sharing, best practice exchange, and collective action on sustainability which will contribute to the development of a robust VBI ecosystem (SDG 17).

The inherent alignment between VBI initiatives by the Islamic banks, *Maqasid al-Shariah* SDGs and ESG consideration is evident in their shared focus on promoting societal well-being through sustainable and inclusive development. Table 4 summarize the alignment of VBI with *Maqasid al-Shariah*, SDGs and ESG consideration.

Table 4: Alignment of VBI initiatives with *Maqasid al-Shariah* and SDGs and ESG consideration

Bank	VBI Initiative	*Maqasid al-Shariah*	SDGs	ESG consideration
BIMB	I-TEKAD microfinance	Preserving wealth	SDG 1, 8, 12	Social, Governance
	Bangkit Microfinance	Preserving wealth	SDG 1, 8, 12	Social, Governance
	TRRF	Preserving wealth	SDG 1, 8, 12	Social
	GHF	Preserving religion, wealth	SDG 1, 8, 12	Social
	PV solar energy system Financing	Preserving wealth, life	SDG 1, 7, 8, 12, 13	Environmental, social
	Personal Financing-i (Asnaf)	Preserving wealth	SDG 1, 8, 12	Social
	Mobile onboarding (MOB) channel	Preserving wealth	SDG 1, 7, 9, 13	Environmental, Social
	Go and Go Biz by Bank Islam	Preserving wealth	SDG 1, 7, 9, 13	Environmental, Social
	Mywaqf	Preserving wealth	SDG 7	Social
	Developed CDX	Preserving intellect, wealth	SDG 1, 7, 8, 9, 13	Environmental, Social
	Adopted key ESG factors in its credit assessment and evaluation process.	Preserving wealth	SDG 8, 12	Environmental, Social, Governance
	Climate Change Risk is Incorporated into the Bank's Risk Management Framework	Preserving wealth	SDG 7, 12, 13	Environmental, Governance
	Report based on the TCFD recommendations.	Preserving wealth	SDG 13, 17	Governance

	Engaged with international consultant to develop an ESG framework.	Preserving wealth	SDG 17	Governance
	Upholds the highest standards of integrity and ethics	Preserving religion	SDG 16	Governance
	Sadaqa House	Preserving religion, wealth	SDG 1, 8	Environmental, Social
	AMAL CSR Fund	Preserving religion, wealth	SDG 1,8	Environmental, Social
BMMB	I-Tekad Mawaddah	Preserving wealth	SDG 1, 8, 12	Social
	Commercial property financing	Preserving wealth	SDG 1, 8, 12	Social
	Klinik Pusrawi financing programme	Preserving life, wealth	SDG 3	Social
	Working capital guarantee scheme	Preserving wealth	SDG 1, 8	Social
	Strategic collaboration with MukminPay and FAMA	Preserving wealth	SDG 8, 17	Environmental, Social, Governance
	"Save & Win More Kaw Kaw" campaign	Preserving wealth	SDG 1, 12	Social
	Retail financing and personal financing for lower-to middle income group	Preserving wealth	SDG 1, 8, 12	Social
	Graduate scheme	Preserving intellect	SDG 1, 12	Social
	ASB financing for undeserved low-income community	Preserving wealth	SDG 1, 8	Social
	Financing for preserving natural environment	Preserving wealth	SDG 7, 13	Environmental, Social

	Muamalat application platform	Preserving wealth	SDG 9	Environmental, Social
	DuitNow QR	Preserving wealth	SDG 9	Environmental, Social
	CSI	Preserving wealth	SDG 8, 9	Environmental, Governance
	Applied climate-risk consideration for non-retail customers' financing application	Preserving wealth	SDG 7, 13	Environmental, Governance
	environmental awareness programme	Preserving life, wealth	SDG 6,7 13	Environmental, Governance
	Reviewed its responsible financing policy document	Preserving wealth	SDG 8, 16	Governance
	Training sessions for employees	Preserving life, wealth	SDG 4, 8	Social, Governance
	Jariah fund crowdfunding	Preserving wealth	SDG 1, 8	Social
	Engage in VBIAF	Preserving wealth	SDG 17	Governance
	Channeled in CSR activities and waqf project	Preserving wealth	SDG 1, SDG 17	Environmental, Social, Governance
	GABV member	Preserving wealth	SDG 8, 17	Governance
Ambank Islamic Berhad	Financing opportunities to SMEs and start-ups	Preserving wealth	SDG 1, 8, 12	Social
	Ambank Bizclub	Preserving wealth	SDG 1, 8, 12	Social
	Financing green sector and affordable housing.	Preserving wealth	SDG 1, 7, 8, 11, 12	Environmental, Social
	Organized workshops and events with industry experts to	Preserving intellect, wealth	SDG 4, 7, 13	Environmental, Social, Governance

move the domestic green financing market forward			
Channeled to community programme and undeserved communities	Preserving wealth	SDG 1, 10	Environmental, Social, Governance
Invested in employee training and development programme	Preserving intellect, wealth	SDG 4, 8	Environmental, Social, Governance
A member of Joint Climate Change Committee.	Preserving wealth	SDG 13, 16	Environmental, Social, Governance
Participated in developing VBI scorecard, framework, guidelines, and strategy.	Preserving wealth	SDG 16	Environmental, Social, Governance
Chaired the VBI Sectoral Guideline Working Group (Cohort 1)	Preserving wealth	SDG 16, 17	Environmental, Social, Governance
Involve in VBI Sectoral Guideline Working Group (Cohort 2)	Preserving wealth	SDG 16, 17	Environmental, Social, Governance
Established sustainability framework	Preserving wealth	SDG 16	Environmental, Social, Governance
Established Group Sustainability Council	Preserving wealth	SDG 16	Environmental, Social, Governance
Set up Group Sustainability Department	Preserving wealth	SDG 8, 16	Environmental, Social, Governance
Develop Green Financing Taxonomy	Preserving wealth	SDG 16	Environmental, Governance

	Introduced Group Energy Policy	Preserving wealth	SDG 16	Environmental, Governance
	Developing CCPT Implementation Plan	Preserving wealth	SDG 16	Governance
CIMB Islamic Bank Berhad	HalalBizReady	Preserving religion, wealth	SDG 1, 8, 12	Social
	iTEKAD Rider Entrepreneur Programme	Preserving wealth	SDG 1, 12	Social
	Taylor's – CIMB Islamic Entrepreneurship Programme	Preserving wealth	SDG 1, 8, 17	Social
	Microbizready (MBR)	Preserving wealth	SDG 1, 3, 8	Social
	GreenBizReady	Preserving intellect, wealth	SDG 1,4, 7, 8, 9, 12, 13, 17	Environmental, Social
	Pakatan Ag Tech	Preserving wealth	SDG 1, 2, 8, 9, 12	Social
	Green Technology Financing Training	Preserving wealth	SDG 7, 13	Environmental, Governance
	EcoSave-i	Preserving wealth	SDG 7, 12, 13	Environmental, Social, Governance
	Providing support to environmental and sustainable programmes	Preserving wealth	SDG 7, 12, 13	Environmental, Social, Governance
	Internal PFAN introduction and engagement with CIMB Malaysia and other regional teams.	Preserving wealth	SDG 9, 17	Social, Governance

	Participation in IGEM conference	Preserving wealth	SDG 17	Environmental, Social, Governance
	Participation in National Energy Awards	Preserving wealth	SDG 17	Environmental, Social, Governance
	Internal briefing campaign on green biz ready	Preserving wealth	SDG 7, 9, 13	Environmental, Social, Governance
	Involved in Transition Sukuk Working Committee	Preserving wealth	SDG 9, 13	Environmental, Governance
	Involved in development of oil and gas VBIAF Sectoral Guide.	Preserving wealth	SDG 9, 13	Environmental, Governance
Maybank Islamic	Microfinance financing facilities	Preserving wealth	SDG 1, 8, 10, 12	Social
	CGC Portfolio Guarantee-i scheme	Preserving wealth	SDG 1, 12	Social
	Partnership with institutions for SME solutions	Preserving wealth	SDG 1, 8, 12, 17	Social
	HalMap	Preserving wealth	SDG 1, 8, 12, 17	Social
	Maybank SME Digital Financing	Preserving wealth	SDG 1, 8, 12	Social
	Halal Awareness and Certification Programme (HACP)	Preserving religion, wealth	SDG 1, 8, 12	Social
	R.I.S.E Economic Empowerment Programme	Preserving intellect, wealth	SDG 1, 4, 8, 10, 12	Social
	Maybank QRPayBiz	Preserving wealth	SDG 1, 8, 12	Social
	Adopted a ESG Risk Management Framework.	Preserving wealth	SDG 16	Governance

	Developed an ESG KPI Metric.	Preserving wealth	SDG 16	Governance
	Adopted a "No Deforestation, No New Peat, and No Exploitation (NDPE)" stance.	Preserving life, wealth	SDG 13, 16	Governance
	Adopted comprehensive and stringent ESG risk impact assessment	Preserving wealth	SDG 16	Governance
	Implementation of VBI-aligned five-year plan.	Preserving wealth	SDG 16	Governance
	Involved in discussion at the EXCO Sustainability Committee and Board Sustainability Committee	Preserving wealth	SDG 17	Governance
	Tracking environmental impacts, carbon footprint	Preserving life, wealth	SDG 13	Environmental, Governance
	Promote save environment practices at the office.	Preserving wealth	SDG 12	Environmental, Governance
	Saving electricity.	Preserving wealth	SDG 7, 12, 13	Environmental, Governance
	Good waste management	Preserving wealth	SDG 7, 13	Environmental, Governance
	Publish sustainability statement.	Preserving wealth	SDG 16	Environmental, Governance
	Various learning related to sustainability through Centre of Excellence platform.	Preserving intellect	SDG 4	Environmental, Governance

	Reporting based on TCFD	Preserving wealth	SDG 16	Governance
	Regional Ramadan Relief programme	Preserving wealth	SDG 1, 2	Social,
	The Cahaya Kasih Employee Volunteerism Programme	Preserving life, wealth	SDG 3, 12	Social
	Ikhwan Charity Fund equips underprivileged students	Preserving intellect, wealth	SDG 1, 4, 12	Social
	Programme Bantuan Segera COVID-19	Preserving life, wealth	SDG 1, 3, 12	Social
	Semarak Ilmu Programme with MARA	Preserving intellect, wealth	SDG 4, 12	Social
	Provide educational scholarship and financial assistance.	Preserving intellect, wealth	SDG 4, 12	Social
	Conducted Save's a Child Heart Programme	Preserving life	SDG 1, 3, 12	Social
	Maybank Heart crowdfunding	Preserving wealth	SDG 1, 3, 12	Social
	VBI cop	Preserving wealth	SDG 12	Governance
	Member of VBIAF Sectoral Guide (manufacturing)	Preserving wealth	SDG 17	Governance
	Staff Emergency Support (SES)	Preserving Life	SDG 3, 8	Governance
	MyPledge Initiative	Preserving Life	SDG 1	Social
	Facilitated work from home arrangement	Preserving life, wealth	SDG 8	Social
	Collaborate with INCEIF to uplift socio-economic condition of underprivilege	Preserving wealth	SDG 1, 17	Social

	Islamic Wealth Management (IWM) solution	Preserving wealth	SDG 1, 8	Social
	Islamic corporate card	Preserving wealth	SDG 1, 8, 12	Environmental, Social, Governance
	Social Impact Deposit	Preserving life, wealth	SDG 1, 3, 12	Social
	Allocated additional sales and underwriting staffs to facilitate the restructuring process for retail customers	Preserving wealth	SDG 1, 8	Social
HSBC Amanah Malaysia Berhad	Participated in Government and third-party agencies' schemes to provide financial assistance to assist SME businesses	Preserving wealth	SDG 1, 8, 12	Social, Governance
	Participated in Targeted Relief Assistance (TRA)	Preserving wealth	SDG 1, 8, 12	Social, Governance
	Hosted the First Joint Sustainability webinar	Preserving intellect	SDG 4	Social, Governance
	Providing affordable home financing	Preserving wealth	SDG 1, 11, 12	Environmental
	Support education financing	Preserving intellect, wealth	SDG 1, 4	Social
	Launched ESG Credit card	Preserving wealth	SDG 1, 12, 13	Environmental, Governance
	Awarded by the Asset Triple A Award	Preserving wealth	SDG 16	Governance

	Scored 51% of financing asset in line with 3Ps	Preserving wealth	SDG 16	Environmental, Social, Governance
	Promoted innovation in products and services.	Preserving intellect	SDG 9	Environmental, Social, Governance
	Six-month certified expert in sustainable finance courses	Preserving intellect	SDG 4, 13	Environmental, Governance
	First report on the Bank's Task Force on TCFD in Malaysia	Preserving wealth	SDG 16	Environmental, Governance
	Member of UNGC	Preserving wealth	SDG 17	Governance
	Active member of JC3	Preserving wealth	SDG 16	Environmental, Social, Governance
	Contributed to the VBIAF Sectoral Working group Cohort 2	Preserving wealth	SDG 16	Governance
Agrobank	Training & advisory programme through Agrobank Centre of Excellence (ACE)	Preserving intellect	SDG 1, 8, 12	Social
	Agrolltizam	Preserving wealth	SDG 1, 8, 12	Social
	Agro Mumtaz	Preserving wealth	SDG 1, 8, 12	Social
	Hijrah Asnaf	Preserving wealth	SDG 1, 8, 12	Social
	Agro-YES	Preserving wealth	SDG 1, 8, 12	Social
	Agro-agent being located nationwide	Preserving wealth	SDG 1, 8, 12	Social
	Mobile ATM	Preserving wealth	SDG 1, 7, 8, 12	Environmental, Social, Governance
	Mobile banking	Preserving wealth	SDG 1, 7, 8, 12	Environmental, Social, Governance

	Environmental footprint- Energy-saving initiatives, paper-light initiative, and fleet management initiative.	Preserving wealth	SDG 7, 12, 13	Environmental, Governance
	Institutionalization of Bank's Developmental Framework covering Governance, Process, Systems, Human Resources, and Image & Branding.	Preserving wealth	SDG 16	Governance
	Integrated reporting issuance of Sukuk Wakalah	Preserving wealth	SDG 16	Governance
	Risk and Compliance Awareness Programmes (RCAP)	Preserving wealth	SDG 16	Governance
	Cash Waqf Dialysis Machines Agrobank & PICOMS-MAIWP	Preserving life, wealth	SDG 3, 8, 12	Social
	Employee Assistance Programme (EAP)	Preserving wealth	SDG 4,8	Social

Sources: Authors' own (2024)

VBI is a key initiative in Malaysia that aims to strengthen the roles and impact of Islamic banks on the economy, community, and environment, beyond just compliance with Shariah law. Based on the initiatives by the Islamic banking institutions as depicted in Table 3 and 4, the key takeaways regarding prospects of VBI are as follows: -

i. Alignment with Islamic Finance Principles: Islamic finance, by its nature, is ethical and focuses on social welfare and equitable wealth distribution. VBI extends this by emphasizing sustainable, environmentally friendly, and socially responsible investments, which are deeply rooted in Islamic principles.
ii. Government and Regulatory Support: The Malaysian government and the Central Bank of Malaysia (Bank Negara Malaysia) actively support VBI. The Central Bank's VBI Strategic Paper, published in 2017, outlines strategies for implementing VBI in Islamic financial institutions. This strong regulatory backing boosts the prospects of VBI in Malaysia.
iii. Growing Demand for Sustainable and Ethical Investments: There is an increasing global demand for sustainable and ethical investment options. As Malaysian consumers become more socially and environmentally conscious, Islamic banks with a VBI focus are likely to attract more customers.
iv. Market Leadership in Islamic Finance: Malaysia is already a global leader in Islamic finance. The adoption of VBI can further strengthen this position, setting an example for other Islamic finance hubs and attracting international investors interested in ethical and sustainable finance.
v. Innovative Product Development: VBI encourages innovation in financial products that align with sustainable development goals. Malaysian Islamic banks could lead in creating innovative Shariah-compliant financial products that also address environmental and social issues.
vi. Enhanced Risk Management: VBI involves considering environmental and social risks in investment decisions, which could lead to better risk management and more stable financial performance for Islamic banks.
vii. Social and Environmental Impact: By focusing on investments with positive social and environmental impacts, Malaysian Islamic banks can contribute significantly to the country's sustainable development goals and enhance their corporate social responsibility profiles.
viii. Challenges and Opportunities: While the transition to a VBI model presents challenges, such as developing new assessment frameworks and changing traditional banking practices, it also offers opportunities for Islamic banks in Malaysia to innovate and capture new market segments.

In summary, the alignment of VBI with the traditional principles of Islamic finance, which inherently promotes risk-sharing, prohibition of interest, and avoids investments in harmful sectors. The prospects of VBI in Islamic banking are promising, highlighting a holistic approach that integrates Islamic principles comply with Shariah law, ESG considerations, and SDG that actively contribute to the welfare of society and the preservation of the environment. The analysis also delves into the enhanced role of VBI in fostering ESG consideration and SDGs through responsible investment, emphasizing environmental stewardship and social justice.

Conclusion

This paper analyzes the prospects of VBI as the innovative approach in Islamic banking, emphasizing its potential to redefine the role of Islamic finance in promoting sustainable economic, social, and environmental development. It highlights how VBI extends beyond traditional Islamic banking practices by prioritizing long-term societal and ecological benefits over short-term gains. The VBI initiative has the potential to significantly contribute to the sustainability agenda of Islamic banks. By aligning Islamic banking VBI initiatives with SDG and ESG factors, the VBI initiative can address global business trends and positively impact sustainable business practices, thereby enhancing the financial results of Islamic banks. This in turn will further strengthen the performance of Islamic banks in maintaining Malaysia's position as a leader in the regional and world Islamic financial hub.

Examining specific instances of engagement in this initiative by prominent institutions such as BIMB, BMMB, CIMB Islamic, Maybank Islamic, HSBC Amanah, AmBank Islamic, and Agrobank underscores a collective commitment to aligning Islamic banking practices with principles of sustainability. These banks, through their diverse VBI initiatives, are fostering sustainability agenda by financing renewable energy, promoting sustainable agriculture, providing education and training, position in technology and investing in green infrastructure. This shift encourages Islamic banks to adopt business practices that consider the long-term well-being of the environment and society alongside financial returns. This paper posits that VBI offers a promising future for Islamic banking, aligning it more closely with ethical finance and sustainable development. The successful implementation of VBI can position Islamic banks as leaders in ethical and responsible banking, setting a benchmark for the global financial industry. Despite these promising early steps, challenges remain. Robust regulatory frameworks and standardized impact measurement tools are crucial for ensuring the scalability and effectiveness of VBI initiatives. Therefore, the regulatory body such as BNM need to cater to the challenges by providing a standardized VBI assessment of the bank. This support will catalyst for widespread adoption of VBI principles across the Islamic banking sector globally.

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THE FUTURE OF ISLAMIC DIGITAL BANKING IN PROMOTING FINANCIAL INCLUSION IN MALAYSIA

Mohd Ariff Mohd Salimin
Abdul Rahman Ellias
Nur Harena Redzuan
Salina Kassim
IIUM Institute of Islamic Banking and Finance,
International Islamic University Malaysia
nurharena@iium.edu.my

ABSTRACT

Digital banks provide financial services and customers' interactions using digital platform technologies without physical branches. They use modern technologies to simplify financial transactions and improve customer banking experiences. The study aims to assess how Malaysia's two Islamic digital banks can promote the financial inclusion goals. This qualitative study examines digital bank development to identify potential concerns, obstacles, and solutions for Islamic digital banks in Malaysia. Islamic digital banks face commercial sustainability, digital financial product and service delivery, Shariah, and operational concerns, according to the study. The study recommends prioritizing customer segments and leveraging Islamic digital banks' digitalization potential to achieve financial inclusion in Malaysia. The study only covers the emergence of Islamic digital banks in Malaysia; therefore, its findings may not apply to conventional banks or those in other regulatory settings. The study recommends customer segmentation and digital potential to unlock inclusion initiatives, adding a new viewpoint to Islamic finance's digital banking conversation.

Keywords: Digital banking, financial inclusion, sustainability, digital banking innovation

Introduction

The traditional services provided by banks could no longer keep up with changes in consumer behaviour. Customers today prefer smooth and convenient products and services, with information on products and services easily accessible via mobile devices and tablets. Commercial banks, realising the value of the digital revolution, have ditched the traditional method of operating through branches (Thuy Thu Nguyen, 2020). The global spread and application of the internet and mobile have influenced the creation of new forms of banking and the financial sector, resulting in the establishment of digital banking. Digital banking is the use of technology to make banking transactions more efficient and convenient. Electronic banking, internet banking, and online banking are all terminology used to describe digital banking. Furthermore, the

introduction of digital banking has transformed banking services into more efficient and competitive, providing a competitive advantage.

Furthermore, the current usage of digital banking has revolutionized the banking industry in accomplishing financial inclusion by delivering cost reductions rather than traditional banking and enabling broader accessibility across the typical geographical reach of physical facilities. (Hyun-Soo Choi, 2020). Financial inclusion is empowered in advance through digital banking. Since 2010, the Group of Twenty (G-20) and the World Bank have launched a campaign to improve financial inclusion in developing nations to aid in poverty reduction in developing and emerging economies (GPFI, 2010). The importance of digital banking and financial inclusion for poverty reduction and economic growth is capturing the attention of academics, policymakers and practitioners, attributing to several issues that, if acknowledged, can improve the performance of digital banking for individuals, businesses, governments, and the economy.

There are various advantages of digital banking and financial services for consumers, digital finance providers, governments, and the economy, including the ability to mobilize financial services towards needy people, particularly the underserved and unbankable people; lower the cost of financial intermediation for banks and Fintech providers, and increase aggregate government expenditure. Furthermore, a country's economic stability is dependent on the stability of its financial system. As a result, it is critical to maintain the stability of the banking industry of both conventional banking and Islamic banking to secure global financial sustainability (Banna et al., 2020). However, it has been found that the operation of digital banks globally proves to be tricky and challenging with many emerging and contemporary issues faced for them to deliver the inclusivity mandate while ensuring business sustainability. The examples of Australia's Volt Bank and Xinja Bank, and the United Kingdom's Monzo Bank and Revolut Bank are just some examples that demonstrate just how difficult it is for digital banks to successfully run their companies and execute their plans.

Hence, this study aims to explore development of issuing licensing of digital banks in Malaysia in carrying out the financial inclusion mandate. The study also aims to identify the potential challenges and opportunities that lie ahead of the upcoming operation of Islamic digital banks for financial inclusion in Malaysia, as well as to provide potential solutions and recommendations for Islamic digital banks' operation in Malaysia. The sections of this study are structured as follows; current section provides the introduction of the study. Section 2 provides a review of literature regarding financial inclusion and digital banks. Subsequently, Section 3 outlines the research methodology, followed by Section 4 for the findings and discussion. The final section, Section 5 concludes the study and provides insightful contributions and the significance of this study.

Literature Review

Digital Banking and Financial Inclusion

In general, digital banking refers to a digital bank that conducts the whole banking operations via virtual process in which banking services are provided via the platform using the internet connection. The digitization of bank services from traditional to digital banking, from manual to automation activities, and from offline to fully online transactions. Accordingly, it is a set of financial products and services provided via mobile phones, computers, the Internet, or cards linked to a dependable digital banking system that covers cash deposits, cash withdrawals and transfers, checking or saving account management, applying for financial products, credit and loan management, bill payment and account services (Peterson K. Ozili, 2018).

Meanwhile, the concept of financial inclusion is described as "access to all, at an affordable cost or price, to various financial services and products which are available with the existing financial institutions that can maintain themselves. These efforts are aimed towards financial inclusion, to ensure that every customer or household has access to important financial services and products regardless of income level" (World Bank, 2012).

Besides, financial inclusion aims to remove the barriers that prevent people from engaging in the financial sector and using these services to better their lives. On the contrary, the lack of financial inclusion in formal financial services diminishes the amount of social welfare and social protection, which may lead to increased social conflict in society, ultimately slowing the country's economic and social development (Svitlana Naumenkova, 2019).

As it appears, financial inclusion could properly be provided with the advancement of digital banking via digitalization. The advancement of digital banking is now assisting in economic growth and social development in a variety of countries throughout the world. Digital banking can provide the financial services to both the rural population by alleviating poverty and improving the rural population's standard of living (John Vong, 2016). As a result, the financial industry not only contributes to the national economic growth but also helps to alleviate poverty. Digital banking provides a bank with cost-effectiveness, time efficiency, and flexibility in delivering banking services to the rural population.

Methodology Of The Study

The study is qualitative research in nature, which there are two techniques adopted; document analysis and library research. It serves the research objectives in terms of exploring the development of digital bank in Malaysia, as well as analyzing the potential challenges and opportunities for the Islamic digital banks in promoting financial inclusion. As the topic concerns digital bank licensing and operation in Malaysia, the authors rely significantly on official document policies mainly from the Bank Negara Malaysia, other relevant authorities and available literature. These documents outline

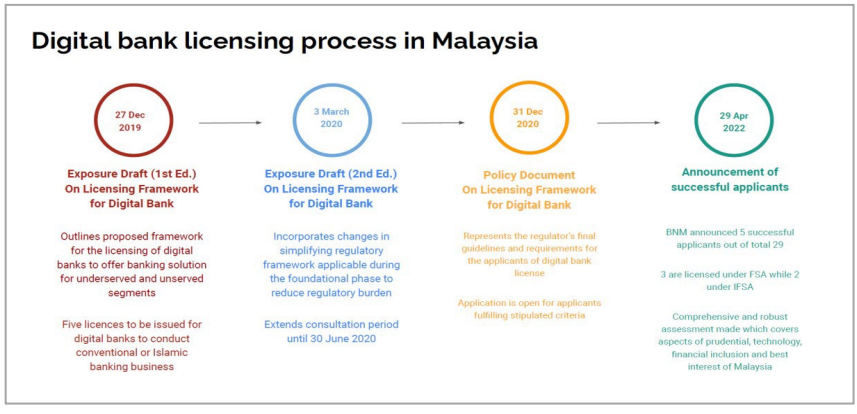
the regulatory requirements and guidelines set out for licensed digital bank operators. In order to explore the potential challenges and opportunities of Islamic digital banks in delivering their financial inclusion mandate, library research is utilized to explore the practice of other digital banks. News and articles from credible local and international financial news outlets are analyzed, for examples The Edge Malaysia, The Straits Times and Reuters by Thomson Reuters Corporation. Other relevant journal articles are also referred to arrive at some findings and recommendations in this study.

Findings And Discussions

The Transition of Digital Bank Licensing by Bank Negara Malaysia

Initiating the transition towards issuing digital bank licenses slightly later than other advanced economies, Malaysia through the BNM formally announced the intention to allow digital banks to operate under its jurisdiction when BNM released the first edition of the Exposure Draft on Licensing Framework for Digital Banks in December 2019. The exposure draft outlined the preliminary proposed framework for the licensing of digital banks to offer banking solutions for the underserved and unserved segments in Malaysia (BNM, 2019). The BNM announced the issuance up to five licenses to qualified applicants to establish digital banks, to operate either conventional or Islamic banking businesses in Malaysia. The second edition of the same draft was later published in March 2020, incorporating a few simplifications that aim to reduce the regulatory burden for new entrants with strong value propositions under the policy document Regulatory Framework for Digital Banks (BNM, 2020). The development of digital bank licensing in Malaysia, shown as per Figure 1 below:

Figure 1: Digital Bank Licensing Process in Malaysia

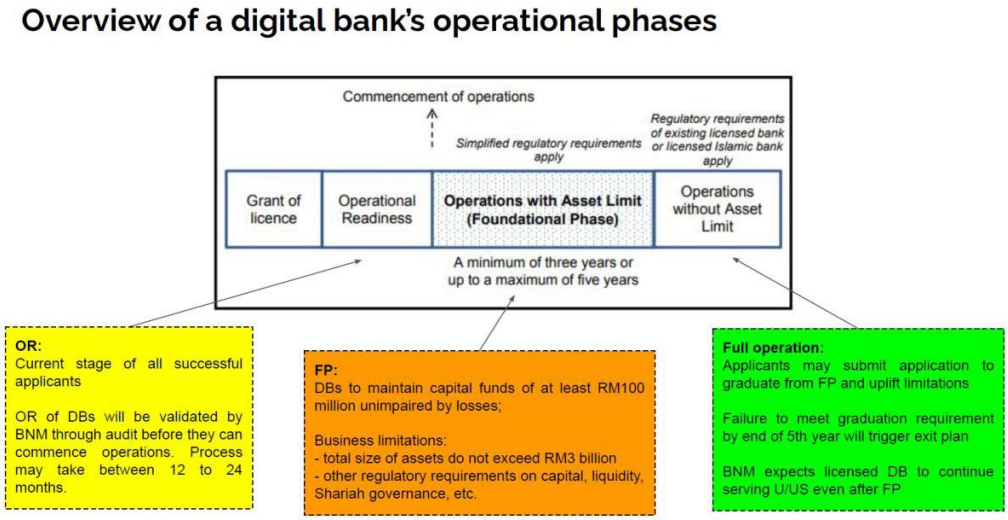


Source: Authors' illustration Referring to policy document Licensing Framework for Digital Banks issued by

BNM in 2020, there are specific targeted timeline for the development of digital banks in Malaysia. The initial phase, Operational Readiness begins with the grant of digital bank license by the BNM, signaling the central bank's official permission to operate.

Following this, the digital bank enters a phase of operational readiness, where it prepares to start its services under simplified regulatory requirements. All successful applicants will be announced, and they will be validated by BNM through audit before commencement of operations. This process may take between twelve to twenty-four months. The second phase is the Foundational Phase. In this stage, the digital bank operates with an Asset Limit. During this period, the digital banks are required to maintain a minimum capital fund of RM100 million, unimpaired by losses. There are also business limitations set in place, such as the total size of the bank's assets not exceeding RM3 billion, alongside other regulatory constraints concerning capital requirement, liquidity requirement, and Shariah governance. This phase lasts a minimum of three years and can extend up to five years. The final phase is termed Full Operation. Digital bank can apply to transition from the Foundational Phase to Full Operation, which lifts the initial asset limitations. However, if a digital bank fails to meet the necessary requirements to graduate from the Foundational Phase by the end of the fifth year, it must initiate an exit plan. Despite the uplift of limitations post-Foundational Phase, the BNM expects licensed digital banks to continue serving underserved and unserved markets. Figure 2 below provides an overview of the timeline of the operational progression of the licensed digital bank in Malaysia.

Figure 2: Overview of a Digital Bank's Operational Phases in Malaysia



Source: Licensing Framework for Digital Banks, BNM (2020)

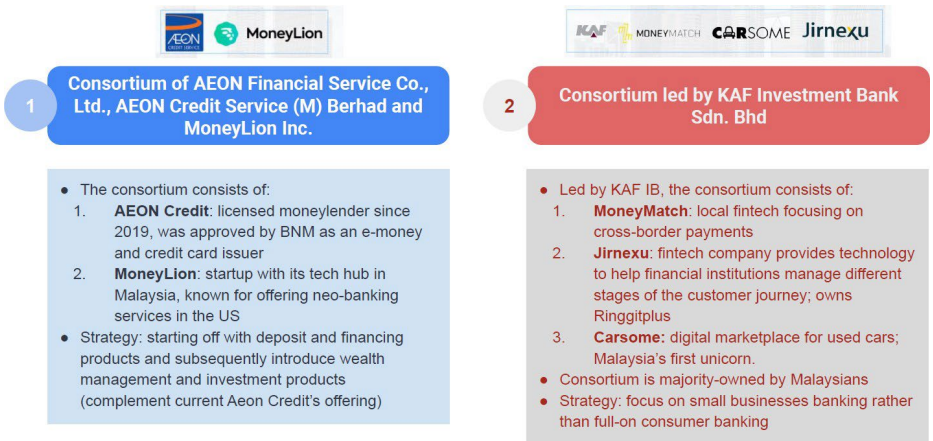
After going through six months of industry consultations, BNM unveiled the Policy Document on Licensing Framework for Digital Banks in December 2020 which represents the regulator's final guidelines and requirements for the applicants of its digital bank license. Subsequently, application from interested parties was opened for a period of six months (BNM, 2020). The much-anticipated announcement of successful applicants under the Financial Services Act 2013 (FSA 2013) and the Islamic Financial Services Act 2013 (IFSA 2013) was finally made on 29 April 2022, which saw three

licenses issued under the FSA 2013 and two under the IFSA 2013. The two successful applicants that will be operating their Islamic digital banks are the consortium of AEON Financial Service Co., Ltd., AEON Credit Service (M) Berhad and MoneyLion Inc., and another consortium led by KAF Investment Bank Sdn. Bhd.

The first recipient is a consortium of AEON Credit, which currently operates as a consumer financing services provider. The company was just recently approved by BNM in 2019 as a licensed e-money and credit card issuer (Fong, 2022). The other company in the consortium is MoneyLion, a fintech startup company offering neo-banking services in the United States with its technology hub located in Malaysia. According to Paul Raj (2022), this consortium is planning to launch its operation by targeting deposit and financing products and subsequently introducing wealth management and investment products to complement the current Aeon Credit's retail offering.

The other consortium is led by KAF Investment Bank and comprises other household names in Malaysia like Carsome which is Malaysia's first unicorn company operating a digital marketplace for used cars, Moneymatch is a fintech company providing a cross-border payment facility and Jirnexu which is the owner of the well-known financial website RinggitPlus. Razak (2022) reported that the consortium's focus early on would be on small businesses banking rather than full-on consumer banking, citing the strategy to be the main factor behind the success of most digital banks around the world. Figure 3 below summarizes the two successful applicants of digital bank under IFSA 2013, which will be operated under Shariah-compliant.

Figure 3: A Look into the Two Successful Digital Banking Applicants under Islamic Financial Services Act (IFSA) 2013



Source: Authors' illustration

Potential Issues and Challenges for Islamic Digital Banks Profitability and Business Sustainability

Looking at some of the news and reports on digital banks around the world, the most striking observation that one can directly make is that a big chunk of them is loss-making and they are facing serious business sustainability threats. In a report on digital banks published by Boston Consulting Group in August 2021, it was shown that only 13 out of the 249 digital banks worldwide, or about 5% of the total, are profitable (Choi, Erande, & Yu, 2021). Even among these 13 banks, as of 2021, none of them have successfully gained a market share of 2% in terms of the total value of deposits and loans within their target segments. This includes big names such as the Tencent-owned WeBank in China, which has been in operation since 2015.

Another consulting company, Simon-Kucher also reported the same observation in its study on 25 of the largest digital banks in the world, where it was found that only two have achieved profitability and that a majority of the banks earned less than US$30 (about RM131.73) in annual revenues per customer (Tay, 2022). This figure supports many findings in the literature which argue that digital banks sometimes lack clear business strategies and that a majority of their customer base are inactive users, thus contributing to the minuscule amount of earnings per customer. A similar report from Simon-Kucher also stated that in general, digital banks must reach their break-even point before their sixth and seventh year in operation, because the risk of failure rises exponentially at that point. In Australia, the country witnessed the closing down of one of its digital banks, Xinja Bank. The case of Xinja Bank is a mixture of misfortunes and miscalculations, with the bank citing a difficult fund-raising environment and harsh market conditions as the main factors in the bank's decline. Another institution, the Neobank gave up its license and returned all customers' deposits by December 2020, after being in operation for just over a year during the peak of the pandemic (Nainan, 2020).

Looking at the licensed Islamic digital bank operators in Malaysia, there are many concerns regarding this aspect of profitability and business sustainability. As with the digital banks in other countries, Islamic digital banks in Malaysia share many common threats to their sustainability. Choi et. al. (2021) reported that strong brand recognition significantly helps new digital banks to build trust and acceptance among their target segment thus reducing friction in entering the market. This includes awareness of the company and track record. In this aspect, this study argues that both Aeon Credit and KAF Investment Bank consortium are in a less advantageous position in terms of market presence and recognition if compared to the other successful applicants like Sea Limited which is known for their subsidiary Shopee, and Boost, a super-app with the large customer base for their e-wallet service. Aeon Credit itself just recently entered the market of consumer lending and is still building its reputation, while KAF Investment bank is never a household name among retail consumers and SMEs.

Operational and Shariah Issues

Reports on digital banks' performance around the world demonstrate that operating a digital bank is a challenging business for many reasons. From the operational side, a few challenges can be pointed out such as resource and talent development. Operating a digital bank requires not only the physical infrastructure and the "hardware" of the banking infrastructures to be fully digitalized, but new digital banks must also ensure their talents and employees can have digital skills and mindset that support the operational needs of the banks and comply to the Shariah requirements. As technology advances rapidly, digital banks are left with no choice except to reskill and upskill their talents to fill in the skill gaps between the traditional and digital banking scenes. In its Future of Jobs Report 2020, the World Economic Forum estimated that around 50% of all employees would need reskilling for them to remain in their roles (World Economic Forum, 2020). Although this number touches on the labour market in general, this study believes that in the case of Islamic digital banks, the percentage might be higher considering the new set of digital know-how that employees are expected to gain.

On top of that, operational challenges unique to Islamic digital banks also come from the Shariah aspect. Potential issues need careful Shariah deliberations stretch from compliance at the contract level up to some of the concerning ethical issues relating to data privacy and transparency. Innovative products and services to be offered by Islamic digital banks such as digital credit cards, smart contract implementation and digital customer screenings are expected to go through prudent Shariah screening to ensure that they do not breach fundamental Shariah requirements and in line with values upheld in Shariah.

Opportunities for Islamic Digital Banks to Deliver Financial Inclusion Mandate Empowering Islamic Social Finance

In most Muslim-dominated countries, Islamic social finance acts as a mechanism or instrument that empower the social development of the respective countries, particularly through the wealth distribution system. In addition, as Islamic social finance is complementing the mainstream financial system, it emphasizes more in eradicating poverty and providing long- term socio-economic development as it is considered a non-profit-driven sector. Islamic social finance instruments have traditionally been used to solve social issues and concerns due to the responsibilities that it holds against society. These instruments such as zakat (almsgiving), waqf (Islamic endowment) and sadaqah (voluntary charity), have previously and currently provided various benefits concerning assisting the socio-economic development, especially in Muslim countries.

However, to create a sustainable measure that will address the social and economic issues within the particular Muslim country, Islamic social finance must have a good wealth distribution system. This is very important to ensure that all recipients and beneficiaries will properly receive the funds, thus will surely contribute to the decrease in the poverty rate. Hence, with the benefits and innovations that digital banking brought to the financial system with regards to transparency of the transactions, accessibility, traceability, and smooth transactions, these features are expected to

improve the collection and distribution of Islamic social finance funds within Muslim countries.

Zakat as one of Islamic social finance instruments, has improved so much due to the digitalization and technology factor in terms of collection and distribution methods. People used to go to zakat institutions to pay zakat or to a mosque in their neighborhoods. Currently, all zakat institutions have opened up in providing numerous avenues for zakat payers to pay zakat. For example, Lembaga Zakat Selangor (LZS) offers a variety of ways to pay zakat, including internet banking, credit and debit cards, MyClear FPX, salary reduction scheme, postal, SMS, and others (Yahaya, Ahmad et al., 2018). While the asnaf (the beneficiaries of zakat funds) have traditionally received zakat in the form of cash or cheque, the distribution of zakat funds is becoming more convenient with internet banking, which allows them more convenience in receiving zakat funds that benefits them in saving time and money.

The collection methods are already changing significantly from year to year. From the old method of over the counter in collecting zakat to the application of advanced internet banking, and so on. However, technological innovation for zakat distributions is not at the same level as the zakat collection procedure. For instance, mobile banking via digital banking is proposed as a new zakat distribution channel to the asnaf but yet to implement it. Mobile banking features that are mobile, user-friendly, and cost-effective could be one of the solutions to the problem of inefficiency in zakat distribution. Furthermore, if mobile banking is used as a distribution route, collaboration between banks and zakat institutions is required. Hence, we could see the potential opportunities for Islamic digital banks to venture within these specific segments of improvement.

Islamic Digital Banking in Comparison to Conventional Digital Banking

The globalization of financial markets has led to the emergence of digital banking and, as a result, an increasing worldwide demand for Islamic financial services. Islamic finance is based on the concept that money should not have any intrinsic value. It is simply a means of exchanging valuable goods and services, hence allowing customers to manage their economic affairs and conduct business while adhering to their religious views and principles that comply with Islamic law. With nearly 1.9 billion Muslims worldwide today, access to Islamic finance is increasingly becoming a basic necessity. The Islamic fintech business is quickly expanding, with total assets expected to reach $128 billion by 2025 at a 21% compound annual growth rate (CAGR), compared to 15% for conventional fintech during the same period (Global Islamic Fintech Report, 2023).

In terms of customer segments, millennials are a key audience that enquires Islamic financial institutions to increase access to Islamic digital banking. According to recent research by Disruption Diaries; Mambu's Research Series (2023), 56% of young Muslims say they would utilize Islamic banking if it were more easily accessible, whereas 32% say they do not have access to Shariah-compliant banks. This also indicates the

huge demand for Islamic digital banking compared to conventional digital banking services as Islamic banking is expanding significantly in several emerging economies with younger average ages. Customers are increasingly expecting very efficient and effective digital banking services as their primary means of financial and business transactions. Additionally, from the perspective of the third sector, specifically Islamic financial inclusion, the emergence of Islamic digital banking will purposely assist in facilitating the fund from Islamic social finance instruments, such as zakat (obligatory alms), waqf (Islamic endowment) and sadaqah (charity) funds in term of the financial transaction, for both funds collection and distribution.

Conclusion

The financial and banking industries have been undergoing several stages of transformation and digitalization, with digital banking being one of them. The existence of digital banks in other countries outside of Malaysia, have demonstrated difference approaches on financial management, including ordinary banking transactions and operations, credit scores, personal finance, insurance, investments, loan applications, and many other things. Although digital banks in Malaysia emphasize financial inclusion in serving the unserved and underserved segments, such as the B40 groups and SMEs, Islamic digital banks are anticipated to offer a distinctive offering of banking products and services that is pertinent to demands. The creation of digital banks will foster Malaysia's financial sector's sustainability and inclusivity, enable the financial ecosystem's transformation to meet the country's future economic needs and accelerate economic growth in the nation.

Digital banking has operational benefits, and a multi-stakeholder strategy is required to enable digital banks to improve financial inclusion. This method involved improving internet infrastructure, particularly in rural areas, to allow access to digital banking, providing digital and financial literacy education to those in need, and designing inclusive digital financial systems that provide financial services to all communities, particularly those overlooked by traditional banks. Good governance, which governs how financial apps are used and how they handle personal data, as well as good cybersecurity, are also required. Moreover, implementation of legal and Shariah governance frameworks is the essence in ensuring the sustainability of these institutions. Without these critical legal and regulatory measures, as well as infrastructure, Islamic digital banking may struggle to deliver on its promise of improving financial inclusion.

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UNVEILING THE POTENTIAL: EXPLORING INVESTMENT DEPOSITS FOR FINANCIAL INCLUSION

Admir Mešković , Šejma Aydin , Edib Smolo

Abstract

The primary aim of this paper is to examine the awareness and perceptions of depositors in Bosnia and Herzegovina concerning the features of investment deposits in Islamic finance theory. It also seeks to evaluate the contribution of deposits based on the mudarabah model towards the financial inclusion of Muslims. Additionally, this study intends to explore the factors that influence clients' decisions to place their funds in an Islamic bank, specifically focusing on investment deposits. The research further examines the role of financial inclusion and the engagement of Islamic savers and investors. Analyzing primary data from an online survey, the findings reveal that a significant portion of respondents lack adequate knowledge about investment deposits. This knowledge gap poses a critical barrier to the effective use of investment deposits for mobilizing savings and impedes financial inclusion. Moreover, Muslim clients identify interest as a significant hurdle to saving in conventional banks, although similar expectations and risk aversion are observed in relation to investment accounts in Islamic banking which is to some degree paradoxical. This research illuminates the potential role of investment deposits in advancing financial inclusion by addressing knowledge gaps and examining factors influencing clients' decision-making processes. It underscores the need for increased awareness and education about investment deposits to facilitate their wider adoption among depositors. Furthermore, the findings enhance understanding of leveraging Islamic finance principles to promote financial inclusion and meet the unique needs of Islamic savers and investors in Bosnia and Herzegovina.

Keywords: financial inclusion, deposits, investment deposits, mudarabah, Islamic finance, Bosnia and Herzegovina

Introduction

Financial inclusion, an important aspect of economic development, has garnered significant attention in recent years. It entails providing individuals with access to a wide range of affordable financial services, enabling them to save, invest, and participate actively in the formal financial system (Čihák et al., 2021). In many muslim countries, promoting financial inclusion holds immense potential for fostering socio-economic growth and reducing disparities among its diverse population (Karlan et al., 2021).

Despite the recognized potential of financial inclusion to contribute to socio-economic growth, especially in Muslim countries, there remains a significant gap in understanding and utilizing financial products aligned with Islamic principles, such as the

mudarabah model in investment deposits (Ahmed & Grais, 2014). This study aims to bridge this gap by exploring the role of these Islamic financial instruments in enhancing financial inclusion among Muslims in Bosnia and Herzegovina (B&H). It investigates depositors' knowledge and perceptions, and the factors influencing their decisions to engage with Islamic banks, specifically through investment deposits based on the mudarabah model. The research seeks to address the barriers to financial inclusion posed by knowledge deficits, thereby contributing to broader economic development efforts in the region.

Investment deposits in Islamic finance are fundamentally different from the fixed-term deposits found in conventional banking (Cerović et al., 2017; Lee & Isa, 2019). These deposits are based on contracts grounded in Islamic finance principles, utilizing agreements such as qard, wadiah, and mudaraba (Imady & Seibel, 2006). Specifically, islamic banks operate on a profit-loss sharing system, where investment deposits are based on mudarabah contracts, allowing customers to share in the profits and losses of the bank (Warninda, 2023).

Unlike conventional banking deposit agreements, these contracts introduce distinct differences in the nature of contractual risks, returns, or yields (Rammal, 2003).

However, there have been claims by practitioners and researchers in Islamic banking that the full implementation of investment deposit contracts is not always upheld in practice (Khan et al., 2021). Both Islamic banks' adherence to the contractual terms and depositors' perception of the possibility of realizing the risk of partial loss of principal have come under scrutiny. Depositors often expect Islamic banks to cover potential losses, despite Islamic economic principles stating that such compensation is infeasible for this deposit type. This expectation may stem from a lack of knowledge or misconceptions about Islamic banking, heavily influenced by conventional banking norms, or from the regulatory framework that affects Islamic banking's implementation in a specific country. Thus, the primary objective of this research is to investigate the level of knowledge and perception among depositors in B&H regarding the characteristics of investment deposits as outlined in Islamic finance theory. Furthermore, the study aims to explore the practical applicability of these deposit types from both a regulatory perspective and the acceptance by clients.

The results of this investigation will present essential insights for policymakers, financial institutions, and stakeholders focused on enhancing financial inclusion in B&H. They will emphasizes the vital importance of investment deposits in bridging the gap between conventional and Islamic banking. This article advocates for a financial ecosystem that meets the diverse needs of the population. Supported by empirical research, this approach outlines a path toward a more inclusive financial system that could greatly aid in wider socio-economic development (Ozili, 2022).

Literature Review

Financial inclusion, defined as providing individuals with access to a range of affordable financial services (Dev, 2006), is a critical aspect of socio-economic development. Islamic finance operates on the principles of equity, risk-sharing, and ethical investment, providing a unique framework for financial transactions aligned with Shariah principles (Hassan & Kayed, 2009). Studies made by authors such as Shinkafi et al. (2020), Baber (2020), Siddiqui et al. (2021) have highlighted the potential of Islamic finance to enhance financial inclusion by catering to the specific needs and religious beliefs of Muslim individuals. Islamic financial instruments, such as profit-sharing agreements (mudarabah), joint ventures (musharakah), and Islamic microfinance, have been examined as effective tools for expanding financial access to underserved Muslim populations.

When exploring the determinants of Islamic financial inclusion in Indonesia, Ali et al. (2020) revealed that both supply and demand factors significantly influence Islamic financial inclusion. Key demand factors identified include financial literacy, religious commitment, socioeconomic factors, and social influence. On the supply side, critical factors are human capital, product and service offerings, infrastructure, and policies and regulations. Most of the literature on the financial inclusion and Islamic finance actually revolves around these factors.

The most prominent supply factor in the literature on Islamic finance inclusion is the existence of the necessary infrastructure (Wilson, 2000; Kamer et al., 2015). More specifically, the studies have highlighted the importance of establishing Islamic banking institutions and the role of regulations and policies in facilitating their growth (Johnson, 2013). Factors such as geographical availability and proximity to Islamic banking branches have been identified as crucial determinants of access to Islamic financial services (Chowdhury & Rasid, 2016). Further, Shinkafi et al. (2020) review research on factors promoting financial inclusion in Islamic finance, highlighting key drivers for inclusion among women, low-income earners, and the rural poor. According to them, these include advanced technology, microcredit and microfinance services, legal and regulatory frameworks, and infrastructure. They conclude their study by highlighting that a broad framework integrating technology, political commitment, financial access, and awareness is vital for achieving financial inclusion in the Muslim world.

However, infrastructure alone does not guarantee increased use of Islamic banking services. Specifically, the financial literacy is one of the most important drivers of financial inclusion (Smolo et al., 2022). Islamic financial literacy emerges as the most significant demand factor affecting Islamic financial inclusion. Even Shinkafi et al. (2020), who heavily emphasized the role of supply factors in promoting Islamic financial inclusion, acknowledged the importance of demand factors like public awareness of Islamic finance and Islamic financial literacy. The study by Albaity and Rahman (2019) assesses Islamic financial literacy and its impact—along with awareness, reputation, and attitudes towards Islamic banking—on the intention to use Islamic banking. Interestingly, while cost and benefit factors were not found to significantly affect

intention, Islamic financial literacy, awareness, reputation, and attitude did. Initially, Islamic financial literacy showed a negative correlation with usage intention, but this turned positive when mediated by attitudes towards Islamic banking. The findings underline the critical role of enhancing Islamic financial knowledge and fostering positive attitudes towards Islamic banks to boost usage intention.

The role of Islamic financial literacy in general and Islamic financial knowledge in specific is the evident in some other studies as well. However, the customer behavior in Islamic banking is a relatively underexplored area, with one of the first studies published in 1989 by Erol and El-Bdour, focusing on "Attitudes, Behavior, and Patronage Factors of Bank Customers towards Islamic Banks." Another early study in Malaysia by Haron et al. in 1994 echoed similar findings. These initial investigations revealed that although customers are aware of Islamic banks and their distinct products, their knowledge remains limited. This gap in understanding is identified as a primary barrier preventing wider adoption of Islamic banking services. Further research by Hamid and Nordin (2001) in Kuala Lumpur, involving both conventional and Islamic bank clients, supported these findings. More recently, Haque et al. (2009) confirmed that the situation regarding clients' knowledge of Islamic banking products in Malaysia has seen little improvement. This consistent theme highlights the crucial need for enhanced educational efforts to bridge the knowledge gap and foster greater engagement with Islamic banking.

The importance of knowledge of Islamic banking is evident in the results of studies from other countries too. For instance, Metawa and Almossawi (1998) focused on Bahrain, Bley and Kuehn (2004) on the UAE, and Naser et al. (1999) on Jordan. Namely, these studies reveal that clients in the Middle East generally understand basic banking products like savings or current accounts and ATMs. However, they show less familiarity with complex Islamic finance models such as mudaraba and musharaka, leading to less frequent use. Additionally, the studies highlight that the use of Arabic financial terminology can confuse clients. Unsurprisingly, native Arabic speakers tend to have a better grasp of Islamic banking concepts, suggesting a language barrier impacts understanding of these financial models.

Some studies revealed the importance of non-financial factors in Islamic financial inclusion. For example, in their study, Haron and Shanmugam (1995) discovered that BIMB Islamic bank depositors did not prioritize profit rates when deciding where to place their deposits. Surprisingly, they found an inverse relationship between profit rates on deposits and the levels of deposits, contradicting typical depositor behavior. A more recent investigation by M. S. Mohd Karim in 2010 further examined attitudes towards Islamic deposits. These studies collectively suggest that clients choose certain Islamic banking products for religious reasons, rather than for expected profits. Additionally, a study by the State Bank of Pakistan showed that 62 percent of surveyed individuals were willing to pay more for Sharia-compliant banking products. Meanwhile, 36 percent stated they would not withdraw their investment if the bank reported negative returns, highlighting the significance of Sharia compliance over financial returns among Pakistani banking clients.

Similarly, article by Karlan et al. (2021) studies the preference for sharia-compliant loans over conventional loans in a Muslim-majority country, finding a stronger demand and a higher willingness to pay for sharia-compliant products despite their financial similarities to conventional options. The study reveals that the authorizing entity has little effect on the demand for these loans, but price sensitivity varies with religiosity, as shown by viewership of religious TV. It suggests that survey data may overstate the exclusionary influence of religious goals, underlining the role of religious and social factors in credit decisions. The findings highlight the potential for financial inclusion by acknowledging non-financial preferences in financial decision-making. Products designed to meet these preferences, even at a higher cost, can attract individuals valuing these features, thus expanding access to formal financial services for those who might avoid them for social or religious reasons. This approach can make it economically viable to offer such products and integrate more people into the formal financial system.

The literature has identified various challenges and opportunities in the realm of financial inclusion through Islamic finance. Challenges encompass limited access to Islamic financial services, the absence of standardized Shariah-compliant products, and inadequate regulatory frameworks (Čihák & Hesse, 2010). Cultural and social factors, gender disparities, and technological barriers also pose significant impediments to financial inclusion (Warde, 2010; Kammer et al., 2015). Conversely, opportunities exist in utilizing technology for digital Islamic finance solutions, enhancing partnerships between Islamic financial institutions and conventional banks, and promoting financial education and awareness (Dusuki & Abdullah, 2007; Iqbal & Molyneux, 2016).

Possibilities of Investment Accounts Implementation in Conventional Regulatory Environment in Europe

Implementing investment deposit models in B&H can be explored and achieved through several approaches, which include regulatory framework, awareness and education, technology, and partnerships.

For successful implementation of investment deposits, regulatory bodies should consider adapting regulations and creating an appropriate framework that supports this type of banking product. This includes establishing rules for the formation and management of investment deposits, as well as ensuring the protection of investor interests. Banking institutions can invest efforts in educating clients about investment deposits and their benefits. This may involve organizing seminars, workshops, and campaigns to enhance awareness about the potential advantages and risks associated with such products.

Banks can establish partnerships with investment institutions to leverage their knowledge and expertise in investment management. This can enable access to a wide range of investment opportunities and portfolio diversification for investment deposits. Banking institutions can leverage advanced technologies such as digital platforms and process automation to facilitate the opening and management of investment

deposits. This can improve the user experience and provide faster and more efficient services to investors. Collaborating with international institutions such as international banks or investment funds can provide additional support and knowledge regarding the implementation of investment deposits. These partnerships can open new opportunities for investors and grant access to global markets.

Deposit insurance is the first characteristic of the domestic banking system that we will analyze in the context of investment deposit based on mudaraba. According to Article 14 of the Law on Banks of the Federation of B&H, „All banks to which the Agency has granted a banking license shall be obliged to fulfill the membership conditions for deposit insurance in order to retain their license." Furthermore, Article 17 of the same law states that a bank will lose its operating license in case of non-compliance with the membership conditions in the deposit insurance system. It is clear, therefore, that investment deposits must be insured, which is not in line with the principle of mudaraba, where the investment risk is assumed by the capital owner. This regulatory barrier can be partially overcome by informing the client that, according to Shariah, they are not allowed to withdraw the entire deposit amount in case of lower returns or losses. This is the stance of the Shariah Board of BBI Bank.

One of the major regulatory barriers for implementing deposit contracts based on mudaraba is the Decision on the Uniform Method of Calculation and Disclosure of the Effective Interest Rate on Loans and Deposits, issued by the Federal Banking Agency in May 2012. This decision prescribes a unified method of calculation and disclosure of the effective interest rate on loans provided by banks and microcredit organizations, as well as the effective interest rate on deposits held with banks. According to this decision, the bank must inform clients of the effective interest rate before accepting a deposit request and before concluding a deposit agreement. When entering into a deposit agreement, the bank must provide the client with a copy of the repayment plan, clearly indicating the effective interest rate, which is considered an integral part of the agreement. If the effective interest rate changes due to changes in the calculation elements, the bank is required to notify the client in writing of such changes before the revised effective interest rate takes effect. In the case of variable interest rates, the bank must clearly define the conditions for changing the rate in the agreement.

Furthermore, the Law on the Protection of Financial Services Users (2014) stipulates in Article 21 that a deposit agreement must include, among other things:

4) the amount of the nominal annual interest rate, with an indication of whether the user is obliged to pay taxes;

the effective interest rate and the total amount to be paid to the user, calculated on the day of concluding the agreement;

the amount of the insured monetary deposit.

Regarding variable rates, only officially published elements such as the reference interest rate or the consumer price index can be considered variable elements. The return on a specific investment pool cannot be considered an officially published element, and therefore, it cannot determine the return on deposits with variable rates. Moreover, even if it were possible, the law states that the bank must inform the user in written or electronic form about any changes in the rate before the revised rate takes effect. With investment deposits, it is not possible to apply any predetermined rate of return; the return is determined subsequently.

Similar legal solutions are prescribed in the Law on Banks of the Republika Srpska in Article 98, which requires that the deposit agreement indicate the nominal and effective interest rates, as well as the total amount to be paid to the user upon maturity.

Based on all the aforementioned, we can conclude that the first hypothesis, which states, "It is possible to apply deposit contracts based on profit sharing from investment in B&H," is rejected. Due to certain provisions of the laws of the Government of the Federation of B&H and the sublegal acts of the Banking Agency of the Federation of B&H, which primarily aim to protect clients, it is not possible to implement deposit contracts based on profit sharing from investment of deposit funds.

These legal barriers and regulations pose significant challenges to the implementation of investment deposit models based on mudaraba in B&H. They require deposit insurance, standardized calculation and disclosure of interest rates, and specific provisions in deposit agreements that may not align with the principles of mudaraba. As a result, the application of such deposit contracts is currently not feasible within the existing legal framework.

It is important to note that these regulatory barriers can be overcome through amendments to the relevant laws and regulations or the introduction of specific provisions that accommodate the principles of mudaraba and enable the implementation of investment deposit models in accordance with Islamic finance principles. However, such changes would require a comprehensive review and adjustment of the legal framework governing banking and financial services in B&H.

Therefore, while the potential for implementing investment deposit models based on mudaraba exists in theory, the current regulatory landscape in B&H presents significant challenges and limitations. Any future progress in this regard would require a comprehensive and coordinated effort involving regulatory authorities, Islamic financial institutions, and relevant stakeholders to create a conducive legal and regulatory environment for the implementation of investment deposit contracts based on profit sharing.

Furthermore, there are several open questions that need to be addressed before the implementation of this type of deposit. Some of the areas to consider include:

- Defining the accounting treatment for recording each individual fund (which accounts to use for these funds, how to record the return of principal and profit)
- Defining the accounting treatment for reserves (PER and IRR)
- Defining the accounting treatment for recording gross profit
- Defining the accounting treatment for direct costs related to mudaraba investments (costs deducted from gross profit)
- Defining the accounting treatment or accounts for recording allocated or net profit (profit sharing between the client and the bank)
- Defining the accounting treatment for realized losses from a project and how to record them based on individual client investments
- Defining the accounting treatment for placements from sources based on mudaraba
- Defining the accounting treatment for returns from such placements (principal and profit)
- Defining the accounting treatment for provisions related to these placements (provision costs should belong to mudaraba investors according to the mudaraba model)
- Defining the accounting treatment in case a placement becomes non-performing (this cost should be passed on to the investors according to the mudaraba agreement)
- Defining the accounting treatment in case of collecting disputed receivables (these receivables should also belong to the investors)

In addition to the accounting treatment, it is necessary to define how PER and IRR reserves could function, the stance of the Federal Banking Agency on the fact that the expected return is not guaranteed in these deposits, as well as the procedure in case of loss and the procedure in case the bank collects the return subsequently (e.g., through legal action). Managing various types of risks, both "conventional" and specific to this type of product, is also an open question.

Regarding future research, Article 39 of the Law on Banks of the Federation of B&H specifies the activities that a bank can carry out in the territory of the Federation of B&H. Among other things, a bank can accept all types of monetary deposits and engage in financial management services. An issue for future research is whether a bank's activities with investment accounts can be categorized as financial management rather than deposit-taking activities. The role of the bank in investment accounts is closer to financial management than deposit-taking activities.

In this chapter, we have examined the possibilities of implementing investment accounts in the practice of Islamic banks in B&H, taking into account the legal regulations and other conditions. In the next chapter, we will explore the market for such products, specifically the perspective of potential depositors.

Examining Client Perception

A significant number of both published and unpublished (intended only for internal use) research studies focus on conventional banking, with a considerable portion analyzing clients' motives for selecting a banking service provider. This study blends exploratory and descriptive research approaches. In the exploratory phase, we aim to explore depositors' perceptions of the unique characteristics of investment deposit accounts. Descriptively, this study aims to enrich the existing literature in the field.

Methodology

In this research, we employ a quantitative approach using survey methods to test auxiliary hypotheses. The questionnaire was distributed via LimeSurvey, an online platform. We analyzed primary data collected from the survey to understand Islamic bank clients' perceptions of investment deposit accounts and their features. Primary data is deemed ideal for this type of research. The hypotheses tested in this study include:

- The majority of bank clients in B&H are not sufficiently familiar with the concept of investment deposits in Islamic banking.
- The majority of bank clients in B&H expect the bank to provide the same returns regardless of the bank's business performance.
- The majority of bank clients in B&H are willing to accept higher risk in investment deposits in exchange for the potential of higher returns compared to the existing returns achievable with fixed deposits.

The structured nature of surveys allows for direct data collection from a broad audience, aligning with our exploratory and descriptive objectives to identify knowledge gaps and depositor attitudes effectively.

The survey was designed to directly align with our research objectives, consisting of structured questions across several sections. Initially, it gathers demographic information to segment analysis by relevant variables (age, income, banking history). Following sections delve into respondents' awareness of investment deposits, understanding of Islamic finance, and attitudes towards banking risks and returns. Questions mix multiple-choice for straightforward topics and Likert scales for nuanced issues, crafted to be clear and accessible to those unfamiliar with banking terminologies.

The survey consists of six main questions, two of which have additional sub-questions. The questions are divided into two groups. The first group of questions explores socio-demographic information about the respondents, as well as their knowledge level regarding investment deposits. The second group of questions analyzes the respondents' attitudes towards the unique characteristics of investment accounts. All questions are closed-ended with multiple-choice options, while the last two questions are created in the form of a Likert scale ranging from 1 to 5 (being strongly disagree and strongly agree). Such question format is preferable both in terms of response rate, as they are easier to answer, and in terms of analyzing the obtained responses.

Sample

In this research, the target population comprises bank clients in B&H. A bank client is defined as any individual who holds an account with any bank, regardless of the type of account. Due to the unfeasibility of surveying the entire population, a non-random convenience sample was selected as a representative subset. The sample was obtained by strategically promoting the survey link, along with accompanying messages, on a Facebook page specifically targeted at users in B&H. Paid advertising on Facebook was utilized to increase the visibility of the survey among the target audience.

Facebook was selected for sample recruitment due to its wide reach and advanced targeting features, allowing us to engage a diverse demographic likely to have banking experience. Targeting was based on location, age, and interests related to finance and banking. To mitigate potential online sampling biases (e.g., over-representation of tech-savvy individuals), we also targeted specific regions with Islamic bank branches and conducted direct outreach to ensure a broader sample.

To ensure the inclusion of an adequate number of respondents who are clients of Islamic banks, additional efforts were made. Specifically, cities where BBI Bank operates its branches were targeted to capture a representative sample of Islamic banking clients. Furthermore, direct outreach was conducted to individuals who were assumed to be potential users of Islamic banking services, thereby diversifying the sample.

Considering the nature of a non-probabilistic sample, the determination of the sample size took into account both practical considerations and the cost-benefit ratio. The aim was to strike a balance between obtaining a sufficient number of responses and optimizing available resources.

Ultimately, a total of 444 respondents engaged in the process of completing the survey. The overall sample size can be considered adequate for the purposes of analysis and drawing meaningful conclusions.

Results and analysis

In the analysis of the survey results, we will focus on the responses provided by the participants, particularly on several questions that test specific hypotheses. Regarding the composition of the respondents, 23% of them are clients of Islamic bank, while two-thirds are clients of other banks, with 8.8% of the respondents not providing a response to this question. The majority of respondents (53.16%) have only a current account, while 15.79% have a savings account, and 5.79% have a fixed-term deposit account at a bank. The largest proportion of respondents (39%) have monthly incomes below 1,000 KM, and the percentage of respondents decreases with increasing income levels.

Regarding the first hypothesis tested, the survey results indicate that the majority of respondents indeed have insufficient knowledge about investment deposits, thereby confirming the hypothesis. Additional questions further support the finding of a general lack of awareness regarding investment deposits. This outcome is anticipated,

given the limited availability of this product in B&H and the lack of active education efforts by the local Islamic bank on investment deposits. Nonetheless, Islamic bank clients showed significantly greater knowledge of this product than those of conventional banks. This suggests that Islamic bank clients likely gained familiarity with investment deposits through their education, information from friends or bank staff, or the printed materials distributed by BBI Bank to promote Islamic banking.

The next hypothesis, which explores whether clients would be willing to accept higher risk in investment deposits for the potential of higher returns, is partially confirmed. It is important to note that the median response is "Partially agree," not "Completely agree." This indicates that while clients are open to a higher risk level, there is a limit to this willingness. Additionally, Islamic bank clients show a greater readiness to embrace this risk, likely due to the perception that investment deposits align better with the Islamic economy compared to other deposit types. However, the majority of respondents believe that the Islamic bank should absorb any losses that occur. Differences emerge between clients of Islamic and conventional banks: those from conventional banks tend to believe the bank should bear the loss, whereas Islamic bank clients, more cognizant of Sharia principles in the mudaraba contract, show a greater willingness to accept the loss themselves.

The majority of respondents expressed a desire to diversify their savings by allocating some of their funds to investment deposits. However, over two-thirds expect the bank to avoid excessively risky investments with the funds from these deposits. Therefore, whether this hypothesis is definitively confirmed depends on the specific level of risk and the expected returns achievable.

Regarding the hypothesis related to the expectation of constant returns, most clients still prioritize consistent returns on their deposits, independent of the bank's investment performance. The data shows that a significant number of clients prefer predictable rates of return on their investments. Yet, a considerable group of respondents does not align with this perspective, showing openness to variable returns based on different situations. This is underscored by responses to whether clients would accept the bank setting aside profits to cover future losses, with the majority in favor, supporting the hypothesis of constant and predictable returns. Further evidence for this hypothesis comes from inquiries about withdrawal behaviors in response to lower-than-expected returns. Over half of the clients (52%) indicated they would withdraw their deposits under such circumstances, whereas 37% would not. Additionally, in scenarios of realized Sharia risk, over 70% of respondents would withdraw their deposits. About 65% of respondents would hesitate to deposit if the principal amount lacked deposit insurance. Moreover, nearly all clients expressed a desire for transparency regarding the utilization of investment deposit funds and requested detailed explanations of the Sharia aspects of the investment deposit agreement from bank representatives.

In summary, the survey results offer valuable insights into respondents' awareness and preferences concerning investment deposits. The data reveal a general lack of

knowledge and understanding of this financial product among most participants. Nonetheless, Islamic bank clients demonstrate a greater familiarity with investment deposits, likely attributed to prior exposure through educational efforts or bank interactions. Attitudes towards accepting higher risks for the potential of higher returns also differ, with Islamic bank clients displaying a greater openness to risk. Furthermore, while a significant number of clients show a preference for stable and predictable returns, opinions on this matter vary. The findings illuminate the perceptions and expectations clients hold towards investment deposits, presenting essential information for Islamic and conventional banks in B&H.

Implications

The results of this study on depositor perceptions and knowledge regarding Islamic banking investment deposits in B&H have important implications for policymakers, financial institutions, and stakeholders focused on improving financial inclusion. By uncovering depositor attitudes towards Islamic banking, especially investment deposits, the study highlights a significant knowledge gap. Addressing this gap could markedly influence the landscape of financial inclusion.

For policymakers, the study emphasizes the need to create regulatory frameworks and educational initiatives tailored to the distinct features of Islamic banking. Enhancing public comprehension of Islamic finance principles can demystify investment deposits, promoting broader engagement with the banking system.

Financial institutions, particularly those providing Islamic banking services, can utilize these findings to refine their product offerings and marketing approaches, aligning more closely with the needs and expectations of prospective depositors. This entails developing clearer and more accessible informational resources that elucidate the principles and advantages of investment deposits, thereby bridging the knowledge gap highlighted in the study.

The study underscores the potential appeal of Islamic banking to depositors seeking alternatives to conventional banking, motivated by religious or ethical considerations. Financial institutions could develop innovative products that resonate with these preferences, ensuring competitive returns and security. This approach addresses the financial and ethical considerations of potential clients.

Additionally, the findings indicate a willingness among certain population segments to embrace the higher risks of investment deposits for the chance of higher returns. This reveals a market opportunity for Islamic banks to create and offer investment products that accommodate different risk tolerances, all while staying true to principles of Islamic finance.

Conclusion

This research on the role of investment deposits in Islamic banking and their potential to boost financial inclusion in B&H reveals several key insights. Investment deposits,

based on the mudarabah principle, offer a unique avenue for individuals with excess funds to participate in profit-sharing endeavors with Islamic banks. In this arrangement, the bank acts as the mudarib (manager), and the depositor provides capital, forming a partnership where both returns and risks are shared, without guarantees on the principal or returns.

Our analysis of the adoption and perception of these deposits in B&H has produced complex results. Contrary to the hypothesis that the profit-sharing model of Islamic banking would fit easily into the B&H financial environment, we encountered significant legal and regulatory barriers. The requirement for banks to provide fixed return rates upfront clashes with the inherent uncertainty of mudarabah contracts, highlighting a critical mismatch. This conflict indicates the need for regulatory reform, perhaps looking towards models like the ones in Malaysia. There, investment accounts are differentiated from standard deposit contracts, more closely resembling financial management practices than traditional deposit-taking, suggesting a pathway for integration into B&H's financial system.

Survey responses from 444 bank clients in B&H further illuminate the current state of awareness and attitudes towards Islamic banking's investment deposits:

- A substantial segment of the population is unfamiliar with investment deposits, likely attributed to the absence of these products in the local market. This gap highlights the urgent need for educational efforts to bridge the knowledge divide.
- There is a prevalent expectation among respondents for stable returns from banking investments, mirroring practices in other regions where Islamic banks maintain reserves to stabilize depositor returns. This finding highlights a fundamental tension between the expectations of depositors and the risk-sharing principles of Islamic finance.
- Despite this, there is a noticeable willingness among respondents to accept higher risks for potentially greater returns, suggesting a nuanced comprehension and acceptance of the risk-reward balance inherent in mudarabah contracts. Yet, this acceptance is moderated by a desire for a certain level of return predictability.
- The variation in responses between clients of Islamic banks and those of conventional banks illustrates the diversity in financial landscapes and depositor expectations within B&H. These insights challenge traditional views on the compatibility of Islamic banking with the B&H financial system and shed light on both the opportunities and obstacles for its deeper integration and acceptance.

This study establishes a foundation for a wider dialogue on the contribution of Islamic finance to financial inclusion. It urges a collaborative approach among policymakers, regulators, and Islamic financial institutions to overcome legal hurdles, improve public comprehension of Islamic finance principles, and develop financial products that align with depositor expectations under Islamic banking principles. Future research should explore the socio-economic implications of incorporating Islamic finance more

fully into B&H and Herzegovina's financial system, examining the potential benefits and challenges that accompany such integration.

Limitations And Future Research

This study provides important insights into depositor perceptions and knowledge regarding Islamic banking's investment deposits in B&H. However, it faces several limitations that highlight areas for future research. The use of an online survey distributed via Facebook may not fully represent the broader population's views, particularly those less engaged with digital platforms. The reliance on self-reported data risks social desirability bias, potentially skewing the accuracy of depositor behaviors and perceptions. Additionally, the study's cross-sectional design captures attitudes at a specific point in time without accounting for dynamic changes in the financial landscape or depositor perspectives.

Future research could benefit from a mixed-methods approach, integrating qualitative interviews or focus groups to delve deeper into the motivations behind depositor attitudes towards Islamic banking. Longitudinal studies would offer valuable insights into how these attitudes evolve over time in response to changing market conditions and regulatory environments. Expanding the geographic scope of the research and targeting non-users of banking services would enhance understanding of the factors influencing the adoption of Islamic banking products. Moreover, assessing the impact of Islamic banking on depositor financial health and community economic development could provide concrete evidence of its benefits and limitations for financial inclusion.

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ISLAMIC CHARITY INSTRUMENTS WITHIN TAKAFUL OPERATIONS IN MALAYSIA: AN ANALYSIS FROM PRODUCT OFFERINGS

Hafiza Harun,
Muhammad Noh Zulamsyar Mohd Jamali
Shariah Division
Syarikat Takaful Malaysia Keluarga Berhad,
Menara Takaful Malaysia, Kuala Lumpur, Malaysia
hafiza.harun@takaful-malaysia.com.my
noh.jamali@takaful-malaysia.com.my

ABSTRACT

The Islamic economic system consists of charity instruments that can be utilized to support the socio-economic sustainability of the community and nation. Al-Quran and Hadith have evidenced these instruments and their principles, including the objectives meant to attain blessings in worldly life and hereafter. In alignment with this, takaful emerges as one of the key tools in wealth protection. The rapid growth of takaful as an alternative to conventional insurance encourages Malaysian takaful operators to develop, design and innovate their products with Islamic charity elements. Above and beyond attracting more participation while at the same time increasing the tabarru' funds, takaful operators must play the roles to demonstrate the vital impacts of Islamic charity instruments in improving poverty, desperation and eradicating social disparity. This paper employs a qualitative methodology with a desk research approach, primarily focusing on Malaysian takaful operators' product offerings obtained from their official websites. The products are attached to some Islamic charity instruments such as zakat, waqf and saqadah.

Keywords: Takaful, Zakat, Waqf, Sadaqah

Introduction

As a way of life, Islam guides every single segment of human life comprehensively. This includes a socio-economic component that plays an important role in complementing the effectiveness of the human ecosystem. Allah mentioned in the Quran, Surah Al-Maidah, verse 3: "Today I have perfected your faith for you, completed My favour upon you, and chosen Islam as your way". Allah the Almighty has fixed the rule via His verses and translated it into Prophet Muhammad's (pbuh) actions, speeches and tacit approval (taqrir). Being a perfect religion, Islam goes above and beyond that. It covers social, economic, political and even diplomatic aspects which

are inseparable from Quran and Sunnah. In relation to this, the economy plays a critical role in any part of the global agenda. Any country would strive to ensure positive economic growth to ensure the stability and sustainability of its nation.

Islam has provided numerous aspects to enhance the economic segment, aligning with Shariah requirements. Therefore, in discussing charitable matters in Islam, zakat, waqf, and sadaqah usually emerge as profound subjects. It is worth noting that each spectrum has its principles and objectives. Zakat is used to alleviate human suffering, waqf aims to enhance the capabilities of individuals and advance society by maximizing their potential, while sadaqah serves as a means to address social issues. (Ismail, Abdullah & Zaenal, 2022). Complementing the essence of brotherhood in takaful, structuring and designing the product with each or all of these three charitable elements can boost the impact and benefit society and the nation at large. In the Islamic finance sector, the takaful business is a few decades old and is rapidly growing. (Ansari, 2022).

As a pioneer in the commercial sector, Malaysian takaful operators set to gear up the necessary move to remain competitive and visible. The takaful concept and its application reflect society's social well-being across the jurisdiction. It is different from conventional insurance, where the essence of protection coverage is based on the exchange money of money. The client pays such an amount of premium to the insurance company to get the protection. On the other hand, the client participates in the Takaful scheme to protect from any possible unforeseen catastrophes. (Khan, 2005). However, should clients survive and be healthy within the agreed tenure, they already participated in good deeds done through the 'tabarru' fund. Indeed, via Takaful, the community would spread the spirit of mutual help and cooperation as defined. Takaful models based on the aforementioned Shariah concepts were highly complied with the Maqasid Al-Shariah form and substance due to the nature of ta'awun (Jalil & Rahman, 2015).

Based on the background above, the paper is structured to start with literature reviews on zakat, waqf, sadaqah and takaful. It is then followed by a discussion of the methodology applied in this research. The third section presents an analysis of how zakat, waqf, and sadaqah are being applied or integrated by Malaysian takaful operators in their products and services. The paper ends with some recommendations essential for this subject.

Literature Review

This section consists of previous studies that support the research. This covers the ruling on zakat, waqf, sadaqah and takaful in the light of Al-Quran and Hadith. Both primary sources are the most authentic evidence, undisputable and relevant in any circumstances.

Zakat

The obligation of zakat is confirmed by Al-Quran, Hadith and Ijma' (Hidayat, M., & Roni, M. (2024). It is evidenced by the familiarity of this word, and most of the time, the usage is maintained as pronounced in its origin, the Arabic language. Khan (2016) stated in the analysis that the term 'zakat' has been used twenty-six times in prayer, eight times with imperative verbs in objective case and eight times with the past tense as an object. All these situations and moods contain meaning shades that must be transmitted when translating to other languages. Therefore, these discrepancies encourage the respective experts to devote special attention to accurately translating all such economic concepts.

Zakat distributions must be delivered to the categories of people that are eligible to receive zakat, including "the poor, the needy, the wayfarer, the heavily indebted, freedom of slaves, new converts to Islam, and the cause of Allah" (Nasir & Zainol, 2007). Inspired by Surah At- Tawbah, verse 60, Quraishi (1999) emphasized the zakat economic impact on all the prescribed recipients, subject to efficient management and systematic collection and backed by robust accountability mechanisms to ensure its credibility. Thus, Zakat is mandatory for all Muslims and must be distributed to eight specific categories to assist those in need in society, which aligns with the Maqasid Shariah principle in ensuring wealth circulation through legitimate transactions and zakat (Khattak, 2018).

Historically, zakat has been practiced since the early Muslim community in Makkah with the main objective of helping the poor and the needy (Qaradawi, 1999). The primary objectives of zakat are to address issues of poverty, provide assistance to those in need and promote social justice within the community (Putra & Naufal, 2019). Based on Surah At-Tawbah, verse 103, Al-Faizin, Insani & Herianingrum (2018) has derived a view that zakat is an obligatory system that should be managed by the government which corresponds to a large Muslim population country like Indonesia. Its social function is to create a societal balance and promote peace and harmony. Zakat's economic function is to increase purchasing power, productivity, investment, and reduce scarceness. This is the primary capital for long-term economic growth.

Waqf

The term waqf connotes giving charity to public users for Islamic religious purposes (Kamus Dewan, 2002). According to the al-Shafi'i madhhab, waqf of property is permanent holding while the property owner loses the ownership. Endowment of property is a form of charity to get closer to Allah SWT (Al-Sharbini 1994; Al-Shirazi 1995).

The prominent hadith mentioned about waqf is the authentic hadith narrated by Abdullah Ibnu Umar: "Umar acquired a piece of land in Khaybar, so he came to the Prophet pbuh to know what he should do with it. Umar said: "O Messenger of Allah, I have acquired a piece of land in Khaybar, and I have never acquired a property more precious to me than that. What do you command me to do with it?" He said: "If you wish you can keep its origin as an endowment, and give its yield in charity. So, 'Umar

gave the land in charity as an endowment on the condition that the land would neither be sold nor given as a gift, nor bequeathed. He gave its yield as charity to the poor and the relatives, for the emancipation of slaves, in Allah's cause, and for the travellers.

There are two types of waqf, namely, land waqf and cash waqf. Land waqf is already well known in society; however, cash waqf is not so familiar. The cash waqf is a form of certificate with different denominations to raise money planned projects. The process of waqf certificates may be utilized to establish income-generating projects (Nurrachmi, 2012).

History has proven that waqf plays a very significant role in the economic development of a country. Waqf is a tool that enables the re-distribution of wealth to achieve economic development in a broader context. Among the roles of waqf is the provision of education, health centres, prayer places, road facilities, and so on (Sadeq, 2002).

Waqf mobilizes many financial resources in a way that the contributors endow the stream of income accruing to a property for a charitable purpose in perpetuity (Iqbal & Mirakhor, 2013). Access to this instrument is recognized to be a powerful tool for poverty alleviation (Abdul Rahman et al., 2016; Shaikh et al., 2017).

Sadaqah

The word ṣadaqah is mostly used to represent the meaning of charity in the Quran. Allah mentioned in the Quran, Surah Al-Hadid, verse 18: "Indeed, the men who practice charity and the women who practice charity and they who have loaned Allah a goodly loan - it will be multiplied for them, and they will have a noble reward". This verse defines that whatever we donate to those in need, its reward will be multiplied by 10 to 700 times as an incentive for Muslim believers to give charity and help those in need (Ibn Kathir, 1999).

Sadaqah refers to the act of spending out of the wealth for the sake of Allah, and there are two major categories of spending for charity, which are mandatory charitable giving (zakat) and voluntary charitable giving. Allah mentioned in the Quran, Surah At-Tawbah, verse 104: "Do they not know that it is Allah who accepts repentance from His servants and receives charities and that it is Allah who is the Accepting of repentance, the Merciful?" Al-Qurtubi (2002) defines the meaning of ṣadaqah in this verse, which specifically refers to mandatory charitable giving (zakat) and discusses the reward given to the donor. Al-Maraghi (2001) stated that the meaning of ṣadaqah in this verse is whatever is spent by the believers to get closer to Allah which infers general charitable giving, which includes mandatory charitable giving (zakat) and voluntary charitable giving. The difference between the two interpretations leads to the understanding that sadaqah can encompass mandatory charitable giving (zakat) and voluntary charitable giving. As charity encompasses wide applications, many instruments can be used to conduct charitable giving, such as wasiah, hibah, hadiah and waqf (Awang, Muhammad, Borhan & Mohamad, 2017).

However, charitable giving can be done by any means, not only restricted to material giving but also covers non-material aspects such as doing good towards others. The prophet said: "Every good deed is sadaqah". Al-Suyuti (1996) stated this hadith means that the reward for all acts of righteousness and goodness is like the reward for one who gives charity with wealth.

Takaful

Takaful derives from the Arabic root kafala, meaning 'to ensure'. The term kafalah refers to one party's commitment to indemnify another for pre-agreed liabilities. (Alhabshi & Razak, 2009). The takaful philosophy is founded on solidarity and shared responsibility. This Islamic method of security offers an alternative to traditional insurance. (Hassan & Zainab, 2018).

Insurance plays a vital role in risk management efforts in the community, intending to provide protection towards its subscribers. From the Islamic point of view, this effort is accepted, providing that the contract does not involve such a selling-buying policy between the company and customers as it would involve Riba. Notably, the concept applied by insurance possesses such prohibited elements, namely uncertainty, gambling, and usury. Hence, takaful was formulated to encounter this limitation, especially for Muslims. By selling insurance coverage, insurers assume that the subject risk stipulated in the insurance contract, as evidenced by the fact that premiums paid are then treated as insurers' income, signifies the shift of rights of such premiums from the insured to the insurer. (Nahar, 2015)

By applying the spirit of cooperation and mutual assistance among the participants, takaful practices risk-sharing where the participants voluntarily agree to subsidize each other's risk through a pool of voluntarily contributed funds (Hunt-Ahmed, 2013). As designed based on Shariah principles and requirements, takaful is the best option for society's conventional insurance (Ayinde & Echchabi, 2012). Additionally, Masud pointed out that takaful carries the meaning that literally means unity and is set to be a structure in which members protect each other from loss. With a special fund known as 'tabarru", all participants are in solidarity to help each other when misfortune events happen. This is explained by Masud (2010) in the quote of "In line with Islamic ideals of welfare and charitable giving, the system is a collective enterprise that allows a community to pool together resources in order to assist members of the community in times of need resulting from casualty or loss".

Nowadays, takaful products are designed with exciting rider selections rather than being traditional in nature. The attached elements such as hibah, tabarru', and waqf, for example, suit to be embedded in the takaful plan subject to specific strict requirements such as being Shariah- compliant and compatible with Maqasid Al-Shariah. Jalil & Rahman (2015) exemplified how hibah, tabarru', and waqf are possibly applied in takaful. In the light of Maqasid Al-Shariah, this arrangement could be made with a few observations, such as:

- To increase gifts and donations so that they may benefit the public and individuals.
- Gifts and donations must be voluntary and free from any reservation.
- There must be tolerance and flexibility in validating donation contracts according to the donor's wishes.
- The act of donation does not cause loss of rights and suffering to others, such as heirs and creditors.

Additionally, takaful is considered one of the critical avenues in protecting an individual's life, wealth, and pride (Abdullah, 2012). This emphasis is basically observed from this Hadith of Prophet Muhammad (pbuh): …"leaving behind one's heirs rich is better than leaving them poor" (Sahih Bukhari). Ismail (2009) reiterated that wealth protection plays a simultaneous role in risk management techniques, especially for the affected heirs and families. With the availability of takaful, immediate wealth is ready once the unexpected death of a wage earner. Besides all the commercialized aspects of takaful operations, which can be observed today, the effort to make sure Shariah compliance could not be compromised. Adherence to Shariah precepts and governance is crucial to avoid such misleading in promoting takaful as a competitive avenue for wealth protection for the community.

Methodology

This paper focuses on the products or benefits attached to either zakat, waqf or sadaqah offered by Malaysian TOs. This paper employs a qualitative methodology with a desk research approach. Desk research is very successful and may be undertaken in the early stages of market research since it is quick and inexpensive, and most fundamental information can be quickly obtained as a benchmark in the research process.1 In addition, desk research relies solely on available published data and information, whether from within or outside the organization. This paper gathers information from numerous sources of preceding studies on Islamic charitable instruments and takaful. The guiding principles of all these three Islamic charitable instruments are evidenced by the Quran and authentic hadith deliberated in the various renowned exegesis.

Analysis on Application of Zakat, Waqf and Sadaqah in Takaful Product Offerings

This section analyses the integration of zakat, waqf, and sadaqah instruments in the takaful product offerings by Malaysian takaful operators. All these products are available on the website and can be accessed at any time.

Bank Muamalat Malaysia Berhad (BMMB), in collaboration with bancatakaful provider Syarikat Takaful Malaysia Keluarga Berhad (STMKB) has introduced M-Zahra Invest Prime Takaful which features waqf benefit. Under this plan, any underwriting surplus will be allocated to Wakaf Muamalat. Wakaf Muamalat is a collaboration in the management of waqf between Bank Muamalat Malaysia Berhad and Majlis Agama Islam Negeri-negeri (MAIN). Through this collaboration, Wakaf Muamalat collects

waqf from the public, which is then channeled towards waqf projects in the sectors of education, health, and economic empowerment.

Underwriting surplus is commonly distributed in a 50:50 ratio between the Participant and the Takaful Operator. However, this plan stands out as it commits to donating 100% of the annual underwriting surplus (if any) to Wakaf Muamalat, managed by Bank Muamalat.

The benefit offered integrated with waqf is stated in the table below:

Table 1: Waqf Benefit Offered by STMKB

M-Zahra Invest Prime Takaful Feature	
Waqf Benefit	The underwriting surplus of this plan will be donated to Wakaf Muamalat. It is a charity crowdfunding platform where potential donors and charity projects meet at a common point facilitated by Bank Muamalat.

M-Zahra Invest Prime Takaful Feature

The above table showed that the M-Zahra Invest Prime plan not only provides financial protection but also integrates the option of distributing underwriting surplus, which will be given to Wakaf Muamalat for the purpose of supporting charitable projects.

In 2023, Lembaga Tabung Haji (TH)2, in collaboration with STMKB, has introduced TH Khairat as a voluntary plan offering basic Takaful protection with sadaqah benefit. The Takaful plan is offered to TH depositors aged between 30 days and 65 years old. Under this plan, TH depositors have the option to donate RM 2000 from the total sum covered of RM12000 to Sadaqa House Bank Islam, which is appointed by STMKB.

Sadaqa House Bank Islam is a charity crowdfunding platform that acts as a meeting point between donors and change-makers and beneficiaries overseen by Bank Islam. Through this collaboration, Sadaqa House Bank Islam collects donations from the TH Khairat Participants which are then channelled towards sadaqah projects in the sectors of education, health and the welfare of orphans.

The benefit offered integrated with sadaqah is stated in the table below:

Table 2: Sadaqah Benefit Offered by STMKB

TH Khairat Takaful Feature	
Basic Takaful Benefit	RM12000 of the total sum covered in the event of death or total and permanent disability.

Sadaqah Benefit	RM2000 from the total sum covered is allocated to Sadaqa House Bank Islam for each takaful certificate issued.

TH Khairat Takaful Feature

The above table shows that the TH Khairat plan not only provides financial protection but also integrates the option of a donation that will be given to Sadaqa House Bank Islam for the purpose of supporting sadaqah projects.

2 Lembaga Tabung Haji (TH) is a statutory body regulated under the Tabung Haji Act 1995 (Act 535) in accordance with Malaysia's federal law. TH is dedicated to providing high-quality Hajj services, managing savings, and making investments for its depositors.

In 2018, CIMB Islamic Bank Berhad, in partnership with bancatakaful provider Sun Life Malaysia Takaful Berhad, introduced Takaful Mulia as the first-in-market and unique takaful plan that offered coverage for death or Total Permanent Disability (TPD) and included benefits associated with Islamic duties such as waqf, zakat, fidyah/sadaqah and hajj/umrah.

Takaful Mulia was created to provide financial and spiritual requirements in accordance with Shariah standards (CIMB, 2018). The benefits offered integrated with zakat, waqf and sadaqah are stated in the table below:

Table 3: Zakat, Waqf and Sadaqah Benefit offered by Sun Life Takaful Malaysia

	Takaful Mulia Feature
Waqf Benefit during the lifetime of the person covered	3% of the contribution is payable to Yayasan Waqaf Malaysia (YWM) as a form of waqf on behalf of the person covered during the lifetime of the person covered.
Waqf Benefit upon death or TPD of the person covered	An additional 10% of the sum covered will be payable on top of the death or TPD[2] benefit to Yayasan Wakaf Malaysia and/or Perbadanan Wakaf Selangor (PWS) as waqf pay out on behalf of the person covered.
Fidyah/Sadaqah and Zakat Benefit	A lump sum of RM1000 will be payable to the zakat body as fidyah on behalf of the person covered. The actual amount due will be paid as a fidyah pay out from this benefit based on the declaration and the remaining amount of this benefit (if any) will be paid as a general donation (sadaqah) to the zakat body.

Hajj/Umrah Benefit	2.5% of the universal account (UA) value is payable to the zakat body on behalf of the person covered should the value of the universal account be greater than or equal to Nisab. A lump sum of RM2000 is payable from the universal account (UA) when the person covered embarks on the Hajj or Umrah trip.

Takaful Mulia Feature

The table shows that the Takaful Mulia plan not only provides financial protection but also integrates the option of contributing to waqf during the lifetime and upon significant events like death or TPD. Sadaqah and Zakat features in Takaful product offering demonstrate a strong commitment to social responsibility with specified amounts allocated for charitable purposes including fidyah payments to the zakat body.

The enthusiasm among other takaful operators in offering takaful products integrated with zakat, waqf and sadaqah can be observed through the initiative of Takaful Ikhlas, which launched IKHLAS Rider for Takaful IKHLAS & IKHLAS Waqf & Endowment (IWE) benefit for Takaful Participants.

IKHLAS Rider for Takaful IKHLAS provides an option for Takaful Participants to contribute to the Ikhlas Barakah House. Ikhlas Barakah House will be fully in charge of distribution for various purposes, including education, healthcare, economy, community, and environment.

Effective on 1 April 2019, Takaful Ikhlas has provided participants with a complimentary IKHLAS Waqf & Endowment (IWE) benefit, which offers a sum of money will be channelled as waqf or endowment under the participant's name in the event of an accidental death (Takaful Ikhlas).

IKHLAS Rider & IWE Features are shown in the table below:

Table 4: Waqf Benefit Offered by Takaful Ikhlas

IKHLAS Rider & IWE Feature	
IKHLAS Rider	This rider provides an option for Takaful Participants to contribute to the Ikhlas Barakah House. Ikhlas Barakah House will be full in charge of distribution for various purposes including education, healthcare, economy, community and environment.
IKHLAS Waqf & Endowment (IWE)	A sum of RM1000 is allocated for waqf or endowment for each takaful certificate that Takaful Participants participate in.

IKHLAS Rider & IWE Feature

In summary, the IKHLAS Rider and IKHLAS Waqf & Endowment (IWE) enhance the financial security of participants through Takaful coverage and provide a meaningful avenue for individuals to actively contribute to charitable and community development initiatives.

Takaful Ikhlas demonstrates a strong dedication to implementing waqf through a joint project with the Majlis Agama Negeri Sembilan, formalized by a Memorandum of Understanding (MoU). In 2022, Takaful Ikhlas partnered with Majlis Agama Islam Negeri Sembilan (MAINS) to focus on waqf programs for five years. The Memorandum of Understanding allows Takaful Ikhlas to support MAINS in increasing its waqf contribution and providing the necessary knowledge and skills in business and self-development to the asnaf and youth in Negeri Sembilan (New Straits Times, 2022). This Memorandum of Understanding indicates Takaful Ikhlas' dedication to enhancing the integration of sadaqah and wakaf features within their product offerings.

Besides, Prudential BSN Takaful has introduced PruBSN WarisanPlus and PruBSN WarisanGold, which include waqf and sadaqah features in the Takaful products. The table below displays the beneficial features of these two products.

Table 5: Waqf and Sadaqah Benefit Offered by Prudential BSN Takaful

PruBSN WarisanPlus & PruBSN WarisanGold Feature	
PruBSN WarisanPlus, WarisanGold	The charity option allows Participants to gift up to 30% of the death benefit to Yayasan Waqaf Malaysia and PruBSN Prihatin by way of Wakaf or Sadaqah, respectively.

In essence, this charity option allows participants to make a charitable impact by allocating a portion of their death benefit to specific charitable causes offered by Yayasan Waqaf Malaysia and PruBSN Prihatin.

Hong Leong MSIG Takaful offers rider waqf benefit, which is a sum covered for death benefit that will be distributed for waqf purposes to Yayasan Waqaf Malaysia. HLM Takaful Group Savings and Takaful Ajwad benefit is shown in the table below:

Table 6: Waqf Benefit Offered by Hong Leong MSIG Takaful

HLM Takaful Group Savings Takaful	
HLM Takaful Group Savings Takaful, Takaful Ajwad	In the event of Death, RM4000 from your Death Benefit will be utilised for special Waqf purposes to Yayasan Waqaf Malaysia.

HLM Takaful Group Savings Takaful

In February 2024, Hong Leong MSIG Takaful collaborated with Yayasan Waqaf Malaysia to expand the collection of waqf contributions and takaful protection, with a monthly contribution as low as RM 50 monthly for waqf and takaful benefits (Malaysia Gazette, 2024). This collaboration indicates the increasing demand for takaful products integrated with waqf and charity.

Am Met Life Takaful offers a waqf rider, which allows the Participants to donate to the waqf organisation approved by AmMetLife Takaful's Shariah Committee. The waqf feature is shown in the table below:

Table 7: Waqf Benefit Offered by Am Met Life Takaful

Protect i-Budi & LegacySecure-*i* Link	
Protect i-Budi	Additional benefit in one lump sum in the event of death or TPD. The benefit, i.e., the rider sum covered, will be donated to the waqaf organization-approved Shariah Committee for Waqaf purposes. While the rider is in-force, the rider sum covered will increase by 10% of the initial rider sum covered amount every 5th certificate year until maturity.
LegacySecure-*i* Link	Donation of RM5000 from PRF on behalf of Participants to selected waqf organisation approved by AmMetLife Takaful's Shariah Committee in the event of the Participant's death.

Protect i-Budi & LegacySecure-i Link

Conclusion and Recommendation

The offerings provided by six respective takaful operators are highly intriguing in alleviating poverty-related issues. However, the challenges arise from a low level of awareness of new waqf instrument, lack of promotion and understanding of the application of cash waqf (Adeyemi, Ismail & Hassan, 2016).

Society still understands the practice of waqf in its limited scope, which is only related to immovable assets such as land, buildings and mosques. Even new waqf instruments, such as cash waqf, are still poorly understood by the community, and some still dispute that the instrument is invalid, according to Shariah (Shamsuri, 2022).

The features of zakat, waqf, and sadaqah included in takaful products are still relatively new in the market trends and need to be promoted to society. Based on the six Malaysian takaful operators mentioned above, only Sun Life Takaful Malaysia offered zakat and fidyah features in takaful products in the market. This may indicate the low demand for takaful products featured with zakat and fidyah. A robust mechanism should be applied to promote and market takaful products with zakat features.

There are still obstacles to be addressed in adopting and integrating zakat, waqf and sadaqah, including low public awareness, a preference for traditional financial institutions, and a lack of laws that encourage it. Governments, financial institutions, and the

general public must work together to create laws, address preferences, and increase public knowledge to encourage the expansion of the Islamic social finance industry. (Mukhid, 2024)

In a nutshell, the above gaps in the literature shall be disclosed in future research to promote zakat, waqf and sadaqah in takaful products, and the current challenges in waqf implementation should be taken into consideration. This paper provides theoretical and industrial insights to other researchers in identifying thought-provoking areas and the direction for future research related to Islamic charity instruments in takaful products.

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الاجتهاد المقاصدي في تنقيح وتحقيق المناط في المذهب الشافعي
دفع الزكاة إلى طلبة التخصصات غير الشرعية نموذجا

حنفي بن حسين
كلية الفقه الشافعي
جامعة العلوم الإسلامية العالمية، الأردن
sahabah84@gmail.com

الملخص

من خلال الاستقراء التام للأحكام الشرعية المستمدة من أدلتها التفصيلية من النصوص الشرعية المطهرة، وإدامة النظر والتأمل فيها، توصل علماء الإسلام إلى أن غالب الأحكام الشرعية معللة، والمقصود الأسمى، والهدف الأسنى للشارع الحكيم من تشريع هذه الأحكام الشرعية: جلب المصلحة للناس، ودفع المضرة عنهم في الدنيا والآخرة. من الأحكام التكليفية التي شرعت لتحقيق هذا المقصد العظيم في حياة الناس: قبض الزكاة ممن تجب عليه، ودفعها إلى مستحقيها من الأصناف الثمانية المذكورة في القرآن الكريم. وهذه الأصناف الثمانية–وإن جاء تحديدها من الله في القرآن الكريم نفسه–كانت مجملة وغير مفصلة مما يجعل مجال الاجتهاد في تفسيرها وتفصيلها مفتوحا للأئمة المجتهدين. ومن خلال مطالعة الدواوين الفقهية المختلفة في المذهب الشافعي، لوحظ أن الفقهاء الشافعية قد جعلوا المشتغلين بالعلوم الشرعية الذين ليس لهم ما يكفيهم ومن تلزمهم نفقتهم تحت صنفي الفقراء والمساكين، وبالتالي يجوز دفع الزكاة إليهم–بشروط ذكروها–؛ لعدم تمكنهم من الاكتساب؛ لانشغالهم بالعلوم الشرعية؛ تحقيقا للمصلحة العامة من حفظ الدين ونشره في المجتمع. ومع ذلك، لم يتعرض معظم كتب الفقه الشافعي إلى بيان حكم دفع الزكاة إلى غيرهم من الطلبة الفقراء والمساكين في التخصصات الأخرى غير الشرعية، وبالتالي، قد يمتنع بعض المزكين أو المؤسسات الزكوية الرسمية عن دفع الزكاة إليهم؛ ظنا منهم أنهم ليسوا من صنفي الفقراء والمساكين. بناء على ذلك، جاءت فكرة هذا البحث لدراسة هذا الموضوع دراسة علمية منهجية في ضوء الاجتهاد المقاصدي في المذهب الشافعي من خلال تنقيح مناط ذلك الحكم الشرعي في دفع الزكاة إلى مستحقيها، وتحقيقه، وتنزيله على الواقع؛ لتسليط الضوء عليه، وإيجاد الحلول الشرعية في المجتمع المسلم؛ تحقيقا لمصالحهم الدينية والدنيوية في الدارين معا.

كلمات مفتاحية: الزكاة، الفقراء، المساكين، الاجتهاد، المقاصد الشرعية.

بسم الله الرحمن الرحيم

المقدمة

الحمد لله رب العالمين، والصلاة والسلام على سيد المرسلين، محمد بن عبد الله، الرسول الأمين، وعلى آله، وصحبه، ومن تبعهم بإحسان إلى يوم الدين، وبعد.

فمن خلال الاستقراء التام للأحكام الشرعية المستمدة من أدلتها التفصيلية من النصوص الشرعية والأدلة الاجتهادية الأخرى، والإمعان في النظر فيها..توصل جماهير علماء الإسلام إلى أن معظم الأحكام الشرعية معللة[2]، وأن المقصود الأسمى، والهدف الأسنى للشارع الحكيم من تشريع هذه الأحكام الشرعية التي تضبط وتحفظ حياة الناس، هو: جلب المصلحة لهم، ودفع المضرة عنهم في الدنيا والآخرة معا.[3]

قال الغزالي–رحمه الله–: "ومقصود الشرع من الخلق خمسة، وهو: أن يحفظ عليهم دينهم، ونفسهم، وعقلهم، ونسلهم، ومالهم؛ فكل ما يتضمن حفظ هذه الأصول الخمسة فهو مصلحة، وكل ما يفوت هذه الأصول فهو مفسدة، ودفعها مصلحة."[4]

والمصالح التي رام الشرع الحنيف تحقيقها وتكميلها، والمفاسد التي سعى إلى إبطالها وتقليلها..هي تلك التي تتعلق بالدنيا والدين معا؛ لأن في صلاح أمور الدنيا، واستقامة شؤونها..صلاح لآخرة العباد، ونجاتهم من العذاب المقيم، وفوزهم بالسعادة الحقيقية، واللذات الأبدية.

قد أكد الغزالي–رحمه الله–هذا المعنى بقوله: "وفي خراب الدنيا خراب الدين؛ لأنها مزرعة الآخرة. وأحكام الخلافة، والقضاء، والسياسات، بل أكثر أحكام الفقه..مقصودها: حفظ مصالح الدنيا؛ ليتم بها مصالح الدين."[5]

قال ابن عبد السلام–رحمه الله–: "من مارس الشريعة، وفهم مقاصد الكتاب والسنة..علم أن جميع ما أمر به لجلب مصلحة أو مصالح، أو لدرء مفسدة أو مفاسد، أو للأمرين، وأن جميع ما نُهي عنه إنما نُهي عنه لدفع مفسدة أو مفاسد، أو جلب مصلحة أو مصالح، أو للأمرين، والشريعة طافحة بذلك."[6]

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[2] انظر: الأبياري، علي بن إسماعيل (ت:616هـ)، **التحقيق والبيان في شرح البرهان في أصول الفقه**، تحقيق: علي بن عبد الرحمن بسام، (الكويت: دار الضياء، ط1، 1434هـ/2013م)، ج3، ص168-169؛ والشاطبي، أبو إسحاق إبراهيم بن موسى (ت:790هـ)، **الموافقات**، تحقيق: مشهور حسن آل سلمان، (القاهرة: دار ابن عفان، ط1، 1417هـ/1997م)، ج2، ص12.

[3] انظر: الغزالي، محمد بن محمد (ت:505هـ)، **شفاء الغليل في بيان الشبه والمخيل ومسالك التعليل**، تحقيق: حمد الكبيسي، (بغداد: مطبعة الإرشاد، ط1، 1390هـ/1971م)، ص204؛ وابن عبد السلام، عبد العزيز بن عبد السلام (ت:660هـ)، **قواعد الأحكام في مصالح الأنام**، تحقيق: طه عبد الرؤوف سعد، (القاهرة: مكتبة الكليات الأزهرية، د.ط، 1414هـ/1991م)، ج1، ص3 و10.

[4] الغزالي، محمد بن محمد (ت:505هـ)، **المستصفى**، تحقيق: محمد عبد السلام عبد الشافي، (بيروت: دار الكتب العلمية، ط1، 1413هـ/1993م)، ص174. انظر: البوطي، محمد سعيد رمضان (ت:1434هـ)، **ضوابط المصلحة في الشريعة الإسلامية**، (بيروت: مؤسسة الرسالة، ط2، 1393هـ/1973)، ج1، ص23.

[5] الغزالي، محمد بن محمد (ت:505هـ)، **إحياء علوم الدين**، (بيروت: دار المعرفة، د.ط، د.ت)، ج2، ص108.

[6] ابن عبد السلام، عبد العزيز بن عبد السلام (ت:660هـ)، **الفوائد في اختصار المقاصد**، تحقيق: إياد خالد، (بيروت: دار الفكر المعاصر، ط1، 1416هـ)، ص53.

قال ابن القيم–رحمه الله–: "فإن الشريعة: مبناها وأساسها..على الحِكم ومصالح العباد في المعاش والمعاد، وهي عدل كلها، ورحمة كلها، ومصالح كلها، وحكمة كلها؛ فكل مسألة خرجت عن العدل إلى الجور، وعن الرحمة إلى ضدها، وعن المصلحة إلى المفسدة، وعن الحكمة إلى العبث..فليست من الشريعة."[7]

من خلال ما سبق من النقولات عن الأئمة الأعلام–رحمهم الله–، تبين لنا أن الباعث الحقيقي على تشريع الأحكام الشرعية: جلب المصلحة، ودرء المفسدة، وهذا الباعث يعرف في مصطلح الأصوليين بالحكمة[8]، ولما كانت الحكمة غير ظاهرة في بعض الأحكام، وغير منضبطة في بعضها الآخر..أُقيمت مقامها أوصاف ظاهرة منضبطة ملائمة ومناسبة لها، وهذه الأوصاف الظاهرة المنضبطة الملائمة والمناسبة للأحكام الشرعية هي العلة المناسبة للأحكام في اصطلاح الأصوليين.[9]

ومع ذلك، يجدر التنبيه إلى أن علل كثير من الأحكام الشرعية ليست منصوصة من قبل الشرع الحكيم، بل هي من قبيل العلل المستنبطة المظنونة حيث اجتهد المجتهدون وسعهم في البحث والتنقيب عن العلة التي بها يناط الحكم الشرعي في مسائل الفقه العملية، ثم تنزيل وتحقيق تلك العلة في أرض الواقع، وهذا يعد أحد أسباب اختلاف المجتهدين في بعض الأحكام الشرعية، وذلك نتيجة اختلافهم في تعيين علل الأحكام وتطبيقها على أفراد المعلول التي يظن اتصافها بتلك العلل.[10]

قال الشاطبي–رحمه الله–موضحا الاجتهاد الذي لا يمكن أن ينقطع حتى ينقطع أصل التكليف–وذلك عند قيام الساعة–: "فهو الاجتهاد المتعلق بتحقيق المناط، وهو الذي لا خلاف بين الأمة في قبوله، ومعناه: أن يثبت الحكم بمدركه الشرعي، لكن يبقى النظر في تعيين محله."[11]

وأشار ابن القيم إلى أهمية معرفة الواقع في الفتوى: "ولا يتمكن المفتي ولا الحاكم من الفتوى والحكم بالحق إلا بنوعين من الفهم: أحدهما: فهم الواقع، والفقه فيه، واستنباط علم حقيقة ما وقع بالقرائن والأمارات والعلامات حتى يحيط به علما. والنوع الثاني: فهم الواجب في الواقع، وهو فهم حكم الله الذي حكم به في كتابه، أو على لسان رسوله في هذا الواقع، ثم يطبق أحدهما على الآخر. فمن بذل جهده واستفرغ وسعه في ذلك..لم يعدم أجرين أو أجرا؛ فالعالم من يتوصل بمعرفة الواقع والتفقه فيه إلى معرفة حكم الله ورسوله."[12]

وبعد، فمن الأحكام الشرعية المهمة في الإسلام، بل من أركانه ودعائمه: الزكاة، ومن المسلمات التي لا يعتريها أدنى شك أن الإسلام قد شرع فرضية الزكاة في أموال مخصوصة على أناس مخصوصين بشروط مخصوصة، وحدد مصارفها في القرآن

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[7] ابن القيم، محمد بن أبي بكر (ت:751هـ)، **إعلام الموقعين عن رب العالمين**، تحقيق: محمد عزيز شمس وآخرون، (الرياض: دار عطاءات العلم، ط2، 1440هـ/2019م)، ج3، ص429.

[8] انظر: الطوفي، سليمان بن عبد القوي (ت:716هـ)، **شرح مختصر الروضة**، تحقيق: عبد الله عبد المحسن التركي، (بيروت: مؤسسة الرسالة، ط1، 1407هـ/1987م)، ج3، ص386-387؛ والعطار، حسن بن محمد (ت:1250هـ)، **حاشية العطار على شرح الجلال المحلي على جمع الجوامع**، (بيروت: دار الكتب العلمية، د.ط، د.ت)، ج2، ص278.

[9] انظر: الآمدي، علي بن محمد (ت:630هـ)، **الإحكام في أصول الأحكام**، تعليق: عبد الرزاق عفيفي، (بيروت: المكتب الإسلامي، ط2، 1402هـ)، ج3، ص270؛ والطوفي، **شرح مختصر الروضة**، ج3، ص382-383.

[10] انظر: الشاطبي، **الموافقات**، ج5، ص11-23.

[11] الشاطبي، **الموافقات**، ج5، ص12.

[12] ابن القيم، **أعلام الموقعين عن رب العالمين**، ج1، ص189-190.

الكريم؛ لمقاصد عظيمة، وحكم بالغة، ولكن، من خلال النظر والتأمل في النصوص الشرعية المتعلقة بأحكام الزكاة..وجد الباحث أنها حمالة لأوجه الفهوم مما يجعل المجال رحبا وواسعا للاجتهاد المقاصدي من حيث تنقيح مناط الحكم الشرعي في أحكامها، وتحقيقه على محالّها وأفرادها.

ففي هذا البحث المتواضع، سوف يظهر الباحث دور الاجتهاد المقاصدي في المذهب الشافعي في تنقيح مناط استحقاق الزكاة للأصناف الثمانية المحددة في القرآن الكريم، وتحقيقه على مستحقيها وفق المناط الذي تم تنقيحه مقتصرا في البحث على ما يتعلق بصنفي الفقراء والمساكين من المسائل والمباحث المهمة، ومركزا على حكم دفع الزكاة إلى الطلبة الفقراء والمساكين في التخصصات غير الشرعية. أسأل الله التوفيق والسداد لإتمام المقصود؛ فإنه ولي ذلك والقادر عليه.

2.0 توطئة عن الزكاة في الإسلام

2.1 تعريف الزكاة

الزكاة لغة

قال ابن فارس: "الزاء، والكاف، والحرف المعتل: أصل يدل على نماء، وزيادة. ويقال: الطهارة زكاة المال. قال بعضهم: سميت بذلك؛ لأنها مما يرجى به زكاء المال، وهو زيادته، ونماؤه. وقال بعضهم: سميت زكاة؛ لأنها طهارة. قالوا: وحجة ذلك قوله جل ثناؤه: ﴿خذ من أموالهم صدقة تطهرهم وتزكيهم بها﴾[التوبة: 103]، والأصل في ذلك كله راجع إلى هذين المعنيين، وهما النماء والطهارة."[13]

الزكاة اصطلاحا

اختلفت عبارات العلماء في تعريف الزكاة اصطلاحا، ولكنها متقاربة في المعنى، وهي عبارة عن إخراج جزء من المال في أموال مخصوصة، بشروط مخصوصة، ودفعها إلى أصناف مخصوصة.[14]

2.2 وجوب الزكاة ومكانتها في الإسلام

[13] ابن فارس، أحمد (ت:395هـ)، **مقاييس اللغة**، تحقيق: عبد السلام هارون، (بيروت: دار الفكر، د.ط، 1399هـ/1979م)، ج3، ص18.

[14] انظر: الجرجاني، علي بن محمد (ت:816هـ)، **التعريفات**، (بيروت: دار الكتب العلمية، ط1، 1403هـ/1983م)، ص114؛ والتهانوي، محمد بن علي (ت:1158هـ)، **موسوعة كشاف اصطلاحات الفنون والعلوم**، تحقيق: علي دحروج، (بيروت: مكتبة لبنان ناشرون، ط1، 1996م)، ج1، ص907؛ والبركتي، محمد عميم الإحسان (ت:1395هـ)، **التعريفات الفقهية**، (بيروت: دار الكتب العلمية، ط1، 1424هـ/2003م)، ص108.

الزكاة ركن من أركان دين الإسلام، وفريضة من فرائضه، وهي من الأمور المعلومة من الدين بالضرورة، وقد انعقد الإجماع على وجوبها[15]؛ فمن جحد وجوبها وأنكره..فقد خالف سبيل المسلمين، وخرج عن ملتهم، واتفق الصحابة–رضي الله عنهم–على قتال مانعيها.[16]

أدلة وجوب الزكاة من القرآن الكريم

من الأدلة على وجوب الزكاة من القرآن الكريم:

1. قول الله–سبحانه وتعالى–: ﴿وأقيموا الصلاة وآتوا الزكاة﴾[النور:56].
2. قول الله–سبحانه وتعالى–: ﴿فإن تابوا وأقاموا الصلاة وآتوا الزكاة فإخوانكم في الدين﴾[التوبة:11].
3. قول الله–سبحانه وتعالى–: ﴿والذين يكنزون الذهب والفضة ولا ينفقونها في سبيل الله فبشرهم بعذاب أليم يوم يحمى عليها في نار جهنم فتكوى بها جباههم وجنوبهم وظهورهم هذا ما كنزتم لأنفسكم فذوقوا ما كنتم تكنزون﴾ [التوبة:34-35].

أدلة وجوب الزكاة من السنة النبوية

من الأدلة على وجوب الزكاة من السنة النبوية المطهرة:

1. قول رسول الله–صلى الله عليه وسلم–: «بني الإسلام على خمس: شهادة أن لا إله إلا الله وأن محمدا رسول الله، وإقام الصلاة، وإيتاء الزكاة، والحج، وصوم رمضان».[17]
2. قول رسول الله–صلى الله عليه وسلم–لمعاذ بن جبل–رضي الله عنه–حينما أرسله إلى أهل اليمن: «ادعهم إلى شهادة أن لا إله إلا الله وأني رسول الله، فإن هم أطاعوا لذلك، فأعلمهم أن الله قد افترض عليهم خمس صلوات في كل يوم

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[15] انظر: النووي، يحيى بن شرف (ت:676هـ)، **المجموع شرح المهذب**، تحقيق: لجنة من العلماء، (القاهرة: إدراة الطباعة المنيرية، ط1، 1444-1447هـ)، ج5، ص324-325؛ وابن المنذر، محمد بن إبراهيم (ت:316هـ)، **الإجماع**، تحقيق: فؤاد عبد المنعم أحمد، (السعودية: دار المسلم، ط1، 1425هـ/2004م)، ص45؛ وابن حزم، علي بن أحمد (ت:456هـ)، **مراتب الإجماع في العبادات والمعاملات والاعتقادات**، (بيروت: دار الكتب العلمية، د.ط، د.ت)، ص34؛ وابن القطان، علي بن محمد (ت:626هـ)، **الإقناع في مسائل الإجماع**، تحقيق: حسن فوزي الصعيدي، (القاهرة: دار الفاروق الحديثة، ط1، 1424هـ/2004م)، ج1، ص193.

[16] انظر القصة في: البخاري، محمد بن إسماعيل (ت:256هـ)، **الجامع المسند الصحيح المختصر من أمور رسول الله وسننه وأيامه**، تحقيق: محمد زهير الناصر، (بيروت: دار طوق النجاة، ط1، 1422هـ)، كتاب الزكاة، باب وجوب الزكاة، ج2، ص105، رقم1399؛ ومسلم، أبو الحسين ابن الحجاج (ت:261هـ)، **المسند الصحيح المختصر من السنن بنقل العدل عن العدل عن رسول الله**، عناية: محمد زهير الناصر، (جدة: دار المنهاج، ط1، 1433هـ)، كتاب الإيمان، باب الأمر بقتال الناس حتى يقولوا لا إله إلا الله محمد رسول الله، ج1، ص38، رقم32 (20).

[17] البخاري، **الجامع المسند الصحيح المختصر من أمور رسول الله وسننه وأيامه**، كتاب الإيمان، باب دعاؤكم إيمانكم، ج1، ص11، رقم8؛ ومسلم، **المسند الصحيح المختصر من السنن بنقل العدل عن العدل عن رسول الله**، كتاب الإيمان، باب قول النبي صلى الله عليه وسلم: "بني الإسلام على خمس"، ج1، ص34، رقم19 (16).

وليلة، فإن هم أطاعوا لذلك، فأعلمهم أن الله افترض عليهم صدقة في أموالهم، تؤخذ من أغنيائهم وترد على فقرائهم».[18]

2.3 حِكَمُ تشريع الزكاة ومقاصدها

حاول علماء المسلمين استخراج الحكم والمقاصد والمعاني من تشريع الزكاة في الإسلام، ومن أوائل من كتب في هذا المضمار: حجة الإسلام الغزالي–رحمه الله–في "إحياء علوم الدين" حيث ذكر أن هناك ثلاثة معان تتعلق بالمزكي وراء هذه الفريضة العظيمة:

1. إن التلفظ بكلمتي الشهادة: التزام للتوحيد، وشهادة بإفراد المعبود. وشرط تمام الوفاء به: أن لا يبقى للموحد محبوب سوى الواحد الفرد؛ فإن المحبة لا تقبل الشركة، والتوحيد باللسان قليل الجدوى، وإنما يمتحن به درجة المحب بمفارقة المحبوب، والأموال محبوبة عند الخلائق؛ لأنها آلة تمتعهم بالدنيا، وبسببها يأنسون بهذا العالم، وينفرون عن الموت مع أن فيه لقاء المحبوب؛ فامتحنوا بتصديق دعواهم في المحبوب، واستنزلوا عن المال الذي هو مرموقهم ومعشوقهم.[19]
2. التطهير من صفة البخل؛ فإنه من المهلكات...وإنما تزول صفة البخل بأن تتعود بذل المال؛ فحب الشيء لا ينقطع إلا بقهر النفس على مفارقته حتى يصير ذلك اعتيادا. فالزكاة بهذا المعنى طهرة، أي: تطهر صاحبها عن خبث البخل المهلك، وإنما طهارته بقدر بذله، وبقدر فرحه بإخراجه، واستبشاره بصرفه إلى الله تعالى.[20]
3. شكر النعمة؛ فإن لله–عز وجل–على عبده نعمة في نفسه، وفي ماله؛ فالعبادات البدنية شكر لنعمة البدن، والمالية شكر لنعمة المال. وما أخس من ينظر إلى الفقير–وقد ضيق عليه الرزق وأحوج إليه–، ثم لا تسمح نفسه بأن يؤدي شكر الله–تعالى–على إغنائه عن السؤال، وإحواج غيره إليه بربع العشر أو العشر من ماله.[21]

أما المصالح الدنيوية–الفردية والاجتماعية–المترتبة على إخراج الزكاة فكثيرة وظاهرة جدا للمتأمل، ومن أهمها: سد حاجة جهات المصارف الثمانية، وبذلك تنتفي المفاسد الاجتماعية والخلقية الناشئة عن بقاء هذه الحاجات دون كفاية.[22]

3.0 الاجتهاد المقاصدي في تنقيح وتحقيق مناط استحقاق الزكاة في المذهب الشافعي

[18] البخاري، **الجامع المسند الصحيح المختصر من أمور رسول الله وسننه وأيامه**، كتاب الزكاة، باب وجوب الزكاة، ج2، ص104، رقم1395؛ ومسلم، **المسند الصحيح المختصر من السنن بنقل العدل عن العدل عن رسول الله**، كتاب الإيمان، باب الأمر بالإيمان بالله ورسوله وشرائع الدين والدعاء إليه، ج1، ص37، رقم29 (19).

[19] الغزالي، **إحياء علوم الدين**، ج1، ص213.

[20] الغزالي، **إحياء علوم الدين**، ج1، ص214.

[21] الغزالي، **إحياء علوم الدين**، ج1، ص214.

[22] انظر: وزارة الأوقاف والشؤون الإسلامية، **الموسوعة الفقهية الكويتية**، (الكويت: دار السلاسل، ط2، 1404–1427هـ)، ج234، ص230.

الأمر المتفق عليه بين جماهير العلماء قديما وحديثا أن مصارف الزكاة محصورة في ثمانية أصناف[23]، وهذه الأصناف الثمانية قد نص عليها القرآن الكريم في قوله–سبحانه وتعالى–: ﴿إنما الصدقات للفقراء والمساكين والعاملين عليها والمؤلفة قلوبهم وفي الرقاب والغارمين وفي سبيل الله وابن السبيل فريضة من الله والله عليم حكيم﴾[التوبة:60].

قال الشافعي–رحمه الله–بعد أن ذكر قول الله–سبحانه وتعالى–في حصر دفع الزكاة إلى الأصناف الثمانية: "فأحكم الله–عز وجل–فرض الصدقات في كتابه، ثم أكدها، فقال: ﴿فريضة من الله﴾[التوبة:60]، وليس لأحد أن يقسمها على غير ما قسمها الله–عز وجل–عليه."[24]

قال المزني–رحمه الله–: "وهي سهمان ثمانية، لا يصرف منها سهم، ولا شيء منه عن أهله، ما كان من أهله أحد يستحقه...ويجمع أهل السهمان أنهم أهل حاجة إلى مالهم منها، وأسباب حاجتهم مختلفة، وكذلك أسباب استحقاقهم معان مختلفة."[25]

بناء على ذلك، من كان داخلا في هذه الأصناف الثمانية..كان مستحقا للزكاة، ومن ليس كذلك..فلا يستحق من الزكاة شيئا. ومع ذلك، جدير بالتنبيه إلى أن الله–سبحانه وتعالى–لم يبين في هذه الآية الكريمة تفاصيل الشروط والأوصاف التي بها يدخل المرء في تلك الأصناف الثمانية المستحقة للزكاة مما يترك للاجتهاد مجالا رحبا وواسعا، ويكون لاختلاف الآراء سببا ومدخلا.

وليس ببعيد إذا قلنا إن كل صنف من تلك الأصناف الثمانية، قد اختلف المجتهدون في تنقيح مناط الحكم الشرعي فيها وتحقيقه على أفرادها ومحالّها. ففي هذا المبحث، سوف يركز الباحث الكلام على صنفي الفقراء والمساكين فقط من بين الأصناف الثمانية؛ لتعلقهما بموضوع بحثنا تعلقا مباشرا، وذلك من خلال إبراز دور الاجتهاد المقاصدي في تنقيح وتحقيق مناط استحاق صنفي الفقراء والمساكين للزكاة في المذهب الشافعي.

3.1 صنفا الفقراء والمساكين المستحقان للزكاة ومناط الحكم الشرعي فيهما

قال السمعاني–رحمه الله–مبينا أصل علة استحقاق الزكاة بقوله: "...ولأن علة استحقاق الصدقة هو الفقر بدليل قوله تعالى: ﴿إنما الصدقات للفقراء والمساكين...﴾[التوبة:60]، هذا هو أصل العلة، وسائر الأسباب المذكورة لبيان جهات الفقر أو أسباب الحاجة..."[26]

من خلال مطالعة دواوين الفقه في المذهب الشافعي، تبين للباحث أن مناط استحقاق هذين الصنفين للزكاة هو: الفقر، والمسكنة، ويتحقق الفقر والمسكنة بعدم وجود تمام كفايته وكفاية من في نفقته.

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[23] انظر: ابن المنذر، **الإجماع**، ص48، رقم112؛ وابن قدامة، عبد الله بن أحمد (ت:620هـ)، **المغني**، تحقيق: عبد الله التركي وعبد الفتاح الحلو، (الرياض: دار عالم الكتب، ط3، 1417هـ/1997م)، ج9، ص306.

[24] الشافعي، محمد بن إدريس (ت:204هـ)، **الأم**، (بيروت: دار الفكر، ط2، 1403هـ/1983م)، ج2، ص77.

[25] المزني، إسماعيل بن يحيى (ت:264هـ)، **المختصر من علم الشافعي ومن معنى قوله**، تحقيق: عبد الله الداغستاني، (الرياض: دار مدارج، ط1، 1440هـ/2019م)، ج1، ص798.

[26] السمعاني، منصور بن محمد (ت:489هـ)، **الاصطلام في الخلاف بين الإمامين الشافعي وأبي حنيفة**، تحقيق: نايف بن نافع العمري، (القاهرة: دار المنار، ط1، 1412هـ/1992م)، ج2، ص69.

قال النووي–رحمه الله–: "قال الشافعي والأصحاب: "هو (أي الفقير) الذي لا يقدر على ما يقع موقعا من كفايته، لا بمال، ولا بكسب"، وشرحه الأصحاب، فقالوا: "هو من لا مال له، ولا كسب أصلا، أو له ما لا يقع موقعا من كفايته؛ فإن لم يملك إلا شيئا يسيرا بالنسبة إلى حاجته: بأن كان يحتاج كل يوم إلى عشرة دراهم، وهو يملك درهمين أو ثلاثة كل يوم، فهو فقير؛ لأن هذا القدر لا يقع موقعا من الكفاية."[27]

قال النووي–رحمه الله–: "أما حقيقة المسكين، فقال الشافعي والأصحاب: "هو من يقدر على ما يقع موقعا من كفايته ولا يكفيه." قال أصحابنا: "مثاله يحتاج إلى عشرة، ويقدر علي ثمانية أو سبعة."[28]

والمعتبر في الكفاية في المذهب الشافعي: المطعم، والملبس، والمسكن، وسائر ما لا بد له منه على ما يليق بحاله، بغير إسراف، ولا إقتار، لنفس الشخص، ولمن هو في نفقته."[29]

بناء على ما سبق، تنبني عليه المسائل الآتية:

1. الغنى مانع من أخذ الزكاة بوصفي الفقر والمسكنة

إن الغني لا يجوز له الأخذ من الزكاة، والمعتبر في الغنى هو الكفاية، والكفاية قد تأتي من قبل نفسه، أو من قبل غيره.

قال الدميري–رحمه الله–: "والمكفي بنفقة قريب، أو زوج..ليس فقيرا في الأصح؛ لعدم الحاجة، ونقل ابن المنذر فيه الإجماع، ولا مسكينا أيضا؛ لأن المدار على الحاجة، بل يعطى من سهم غيرهما."[30]

2. القدرة على كسب الكفاية مانعة من أخذ الزكاة بوصفي الفقر والمسكنة

إذا كان الفقير أو المسكين قادرا على كسب كفايته وكفاية من يمونه بكسب لائق به..لم يحل له الأخذ من الزكاة، ولا يحل للمزكي إعطاؤه منها، ولا تجزئه لو أعطاه وهو يعلم بحاله؛ لقول رسول الله–صلى الله عليه وسلم–لرجلين جلدين سألاه من مال الصدقة: «لا حظ فيها لغني، ولا لقوي مكتسب».[31]

أما الكسب غير اللائق به، فقال الدميري–رحمه الله–فيما لا يمنع الفقر: "وكسب لا يليق به؛ لأن الانشغال به يذهب مروءته؛ فكان كالعدم. وإطلاق الحديث في الكسب محمول على اللائق؛ فإنه العرف الشرعي، ولهذا، لو وجد من يستعمله ولكن كسبه حرام..فله الأخذ من الزكاة إلى القدرة على الكسب الحلال كما أفتى به البغوي."[32]

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[27] النووي، **المجموع شرح المهذب**، ج6، ص190.

[28] النووي، **المجموع شرح المهذب**، ج6، ص197.

[29] النووي، **المجموع شرح المهذب**، ج6، ص191.

[30] الدميري، محمد بن موسى (ت:808هـ)، **النجم الوهاج في شرح المنهاج**، (جدة: دار المنهاج، ط1، 1425هـ/2004م)، ج6، ص437.

[31] أبو داود، سليمان بن الأشعث (ت:275هـ)، **السنن**، تحقيق: شعيب الأرنؤوط وآخرون، (بيروت: دار الرسالة العالمية، ط1، 1430هـ/2009م)، كتاب الزكاة، باب من يعطى من الصدقة وحد الغنى، ج3، ص75، رقم1633.

[32] الدميري، **النجم الوهاج في شرح المنهاج**، ج6، ص434.

3. الاشتغال بطلب العلم الشرعي غير مانع من أخذ الزكاة بوصفي الفقر والمسكنة وإن كان الفقير أو المسكين قادرا على الكسب

أجاز الشافعية–رحمهم الله–إعطاء الزكاة للمتفرغين للعلوم الشرعية تعلما وتعليما–وإن كانوا قادرين على الكسب في الأصل–كحالة استثنائية من الحكم الذي تقدم بيانه في المسألة الثانية، واشترطوا لهذا الاستثناء شروطا.

قال الرافعي–رحمه الله–: "ولو قدر على الكسب إلا أنه مشغول بتحصيل بعض العلوم الشرعية، ولو أقبل على الكسب لانقطع عن التحصيل..تحل له الزكاة؛ لأن تحصيلها من فروض الكفايات. وأما المعطل المعتكف في المدرسة، ومن لا يتأتى منه التحصيل..لا يحل لهما الزكاة مع القدرة على الكسب."[33]

قال الحصني–رحمه الله–: "ولو قدر على الكسب إلا أنه مشتغل بالعلوم الشرعية، ولو أقبل على الكسب لانقطع عن التحصيل..حلت له الزكاة على الصحيح المعروف."[34]

أما المتنفل بنوافل العبادات، فقال النووي–رحمه الله–: "وأما من أقبل على نوافل العبادات، والكسب يمنعه منها، أو من استغراق الوقت بها..فلا تحل له الزكاة بالاتفاق."[35]

العلة في جواز دفع الزكاة للمشتغل بالعلم الشرعي القادر على الكسب دون المتنفل

تقدم في المسألتين الأولى والثانية أن الكفاية والقدرة على كسب الكفاية مانعتان من الأخذ من الزكاة بوصفي الفقر والمسكنة في المذهب الشافعي، وتقدم أيضا في المسألة الثالثة أن الاشتغال بالعلم الشرعي للقادر على الكسب لا يمنع الفقر والمسكنة، بخلاف المتنفل.

قال ابن الملقن–رحمه الله–: "ولو اشتغل بعلم، أي: شرعي، والكسب يمنعه..ففقير؛ لأن تحصيله من فروض الكفايات. أما المعطل المعتكف في المدرسة، والذي لا يتأتى منه التحصيل..فلا تحل لهما الزكاة مع القدرة على الكسب. ولو اشتغل بالنوافل..فلا؛ لأن نفعه قاصر على نفسه، وهو نفل، بخلاف المشتغل بالعلم الشرعي؛ فإنه متعد إلى غيره، وهو فرض كفاية."[36]

قال ابن حجر–رحمه الله–: "ولا يمنع الفقر والمسكنة اشتغاله عن كسب يحسنه بحفظ القرآن، أو بالفقه، أو التفسير، أو الحديث، أو ما كان آلة لذلك، وكان يتأتى منه ذلك، فيعطى ليتفرغ لتحصيله؛ لعموم نفعه وتعديه، وكونه فرض كفاية، ومن ثم لم يعط المشتغل بنوافل العبادات وملازمة الخلوات؛ لأن نفعه قاصر على نفسه."[37]

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[33] الرافعي، عبد الكريم بن محمد (ت:623هـ)، **العزيز شرح الوجيز**، تحقيق: علي محمد عوض وعادل أحمد عبد الموجود، (بيروت: دار الكتب العلمية، ط1، 1417هـ/1997م)، ج7، ص377.

[34] الحصني، أبو بكر بن محمد بن عبد المؤمن (ت:829هـ)، **كفاية الأخيار في حل غاية الإختصار**، تحقيق: علي عبد الحميد بلطجي ومحمد وهبي سليمان، (دمشق: دار الخير، ط1، 1994م)، ص190.

[35] النووي، **المجموع شرح المهذب**، ج6، ص191.

[36] ابن الملقن، عمر بن علي (ت:804هـ)، **عجالة المحتاج إلى توجيه المنهاج**، (الأردن: دار الكتاب، ط1، 1421هـ/2001م)، ج3، ص1141.

[37] الهيتمي، أحمد بن محمد بن علي (ت:974هـ)، **المنهاج القويم شرح المقدمة الحضرمية**، (بيروت: دار الكتب العلمية، ط1، 1420هـ/2000م)، ص237.

والوجه في استثناء المشتغل بالعلم الشرعي دون المتنفل بنوافل العبادات من أصل الحكم بالمنع: كون طلب العلم الشرعي من فروض الكفايات التي فيها تحقيق لمصلحة عامة، وبتركه تتعرض الأمة الإسلامية إلى مفسدة عظيمة في أمور الدين والدنيا؛ فالواجب في هذه الحالة: جلب المصلحة ودرء المفسدة معا؛ لإمكان الجمع بينهما معا. وهذا بخلاف الاشتغال بنوافل العبادات؛ لأن فيه مصلحة فردية خاصة فقط، وبإمكانه الجمع بين النوافل والكسب بقدر الاستطاعة.

قال ابن القيم–رحمه الله–: "فإذا تأملت شرائع دينه التي وضعها بين عباده..وجدتها لا تخرج عن تحصيل المصالح الخالصة، أو الراجحة، بحسب الإمكان. وإن تزاحمت..قدم أهمها، وأجلها–وإن فاتت أدناها، وتعطيل المفاسد الخالصة، أو الراجحة، بحسب الإمكان. وإن تزاحمت..عطل أعظمها فسادا باحتمال أدناها."[38]

4.0 دفع الزكاة إلى طلبة التخصصات غير الشرعية بوصفي الفقر والمسكنة

من خلال مطالعة دواوين الفقه في المذهب الشافعي، وجد الباحث أنها متفقة على استثناء المشتغل بالعلم الشرعي القادر على الكسب من الكسب، وإعطائه من الزكاة بوصفي الفقير والمسكين مع التصريح بعلة الاستثناء–كما تقدم–، ولكن بقي السؤال في حكم إعطاء الزكاة للطلبة الفقراء والمساكين في التخصصات غير الشرعية التي من قبيل فروض الكفايات، وهذا محل البحث والنظر عند العلماء الشافعية، هل يتقيد بقيد "العلم الشرعي"–كما هو مذكور صريحا وواضحا في الكتب–، أو يتمسك بالعلة التي من أجلها تم استثناء هذه الحالة من أصل الحكم بالمنع؟

الظاهر–والله أعلم–، أنه لا بد من التمسك بالعلة، وحمل تلك الحالة الاستثنائية المذكورة في الكتب على الغالب، لا على الحصر. ويساعد هذا الفهم ما ذكره الغزالي من أن مقاصد الخلق مجموعة في الدين والدنيا، ولا نظام للدين إلا بنظام الدنيا، وأن العلوم التي هي من فروض الكفاية لايستغني عنها في قوام أمور الدنيا، كالطب؛ إذ هو ضروري في حاجة بقاء الأبدان، وكالحساب؛ فإنه ضروري في المعاملات، وقسمة الوصايا، والمواريث وغيرهما. وهذه هي العلوم التي لو خلا البلد عمن يقوم بها حرج أهل البلد، وإذا قام بها واحد كفى، وسقط الفرض عن الآخرين؛ ففي هذه الحالة، يجب على المتعين عليه طلب العلم الفرض أن يمضي في سبيل تحصيل العلم.[39]

ويساعد على هذا الفهم أيضا قول الشربيني: "تنبيه: يؤخذ من التعليل المذكور أن من اشتغل بتعلم القرآن، أو بما كان آلة للعلم الشرعي، والكسب يمنعه، ويتأتى منه تحصيله أن له الأخذ، وهو كذلك، وقد صرح به في الأنوار، فقال: "ولو قدر على الكسب بالوراقة أو غيرها، وهو مشتغل بتعلم القرآن، أو العلم الذي هو فرض كفاية، أو تعليمه، والاشتغال بالكسب يقطعه عن التعلم والتعليم..حلت له الزكاة."[40]

بناء على ما سبق توضيحه، تبين للباحث أنه يجوز دفع الزكاة لهؤلاء الطلبة إذا كانوا فقراء ومساكين، وتمنعهم الدراسة عن الكسب، وليس هناك من يكفيهم ومؤنة دراستهم. وهذا أيضا ما ذهب إليه بعض الفقهاء المعاصرين حيث ألحقوا بالعلم الشرعي سائر العلوم النافعة، ولو كانت من العلوم الدنيوية؛ لكون الدراسة من الحاجات المهمة في الحياة، ولما يترتب على ذلك

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[38] ابن القيم، **إعلام الموقعين عن رب العالمين**، ج2، ص912.

[39] انظر: الغزالي، **إحياء علوم الدين**، ج1، ص16.

[40] الشربيني، محمد بن محمد (ت:977هـ)، **مغني المحتاج إلى معرفة معاني ألفاظ المنهاج**، تحقيق: علي محمد معوض وعادل عبد الموجود، (بيروت: دار الكتب العلمية، ط1، 1415هـ/1994م)، ج2، ص130.

من مصلحة كبيرة تتحقق للدارس والمجتمع، ولكن ينبغي أن يضبط جواز ذلك بكونه علمًا مباحًا نافعًا لدارسه ومجتمعه، وكون التكاليف الدراسية المدفوعة من الزكاة بالمعروف، فلا تزيد عن القيمة المعتادة.[41]

5.0 الخاتمة ونتائج البحث

بعد هذا العرض الموجز لموضوع البحث، توصل الباحث إلى عدد من النتائج المهمة، منها:

1. إن معظم الأحكام الشرعية معللة، والحكمة من تشريعها: جلب المصلحة للعباد، ودفع المضرة عنهم في الدنيا والآخرة معا، ولما كانت الحكمة غير ظاهرة في بعض الأحكام، وغير منضبطة في بعضها الآخر..أُقيمت مقامها أوصاف ظاهرة منضبطة ملائمة ومناسبة لها تعرف بعلة الحكم أو مناط الحكم.
2. إن علل كثير من الأحكام الشرعية ليست منصوصة من قبل الشرع الحكيم، بل هي من قبيل العلل المستنبطة المظنونة، ولكونها اجتهادية..اختلف المجتهدون في بعض الأحكام الشرعية؛ نتيجة اختلافهم في تعيين علل الأحكام وتطبيقها على محالّها.
3. الزكاة من أركان الإسلام ودعائمه، وقد شرعت لمقاصد عظيمة، وحكم بالغة، ومصالح جليلة في الدنيا والآخرة، ومن أهمها: سد حاجة جهات المصارف الثمانية، وبذلك تنتفي المفاسد الاجتماعية والخلقية الناشئة عن بقاء هذه الحاجات دون كفاية.
4. أصل استحقاق الزكاة، هو: الفقر العلة، وسائر الأسباب المذكورة في آية مصارف الزكاة لبيان جهات الفقر أو أسباب الحاجة.
5. إن مناط استحقاق صنفي الفقراء والمساكين للزكاة هو: الفقر، والمسكنة، ويتحقق الفقر والمسكنة بعدم وجود تمام كفايته وكفاية من في نفقته، والكفاية قد تأتي من قبل نفسه، أو من قبل غيره.
6. القدرة على كسب الكفاية مانعة من أخذ الزكاة بوصفي الفقر والمسكنة في المذهب الشافعي، ولكن يستثنى من هذا الحكم العام القادر على الكسب، ولكنه ترك الكسب؛ لاشتغاله بطلب العلم الشرعي؛ فيعطى من الزكاة بوصفي الفقر والمسكنة؛ لكون طلب العلم الشرعي من فروض الكفايات التي فيها تحقيق لمصلحة عامة، وبتركه تتعرض الأمة الإسلامية إلى مفسدة عظيمة في أمور الدين والدنيا.
7. إنه يجوز دفع الزكاة لطلبة التخصصات غير الشرعية إذا كانوا فقراء ومساكين، وتمنعهم الدراسة عن الكسب، وليس هناك من يكفيهم ومؤنة دراستهم؛ لكون الدراسة من الحاجات المهمة في الحياة، ولما يترتب على ذلك من مصلحة كبيرة تتحقق للدارس والمجتمع، ولكن ينبغي أن يضبط جواز ذلك بكونه علمًا مباحًا نافعًا لدارسه ومجتمعه، وكون التكاليف الدراسية المدفوعة من الزكاة بالمعروف، فلا تزيد عن القيمة المعتادة.

[41] انظر: الغفيلي، عبد الله بن منصور، **نوازل الزكاة: دراسة فقهية تأصيلية لمستجدات الزكاة**، (الرياض: دار الميمان، ط1، 1430هـ/2009م)، ص366-377.

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FINANCIAL ABUSE IN DOMESTIC VIOLENCE: A SHARIAH PERSPECTIVE

Ieman Huda Adnan
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia, 53100, Selangor
iemanhudaadnan@gmail.com

Ahas Kirkhs
International Islamic University Malaysia, 53100, Selangor
iemansofiyya@gmail.com

Syarah Syahira Mohd Yusoff
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia, 53100, Selangor
syarahyusoff@iium.edu.my

Rusni Hassan
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia, 53100, Selangor
hrusni@iium.edu.my

ABSTRACT

This article examines financial abuse within domestic violence from the perspective of Maqasid Shariah, the higher objectives of Islamic law. While not explicitly mentioned, financial abuse contradicts core Islamic principles of fairness, justice, and protecting the well-being of family members. The analysis utilizes Quranic verses and Hadith narrations to explore financial responsibilities in marriage. It highlights the husband's obligation to provide for his wife and the importance of treating women with respect and kindness, including financial security. The article argues that financial abuse violates these principles and disrupts the balance within a family unit. It proposes using Maqasid Shariah as a framework to understand the ethical and legal dimensions of financial responsibility within marriage. This approach emphasizes the importance of preventing abuse and promoting a supportive family environment.

Keywords: Financial abuse, Maqasid Syariah, Economic abuse, Domestic violence, financial abuse in domestic violence

Introduction

Financial abuse in the realm of domestic violence represents a critical and often overlooked aspect of abusive relationships. This form of abuse involves controlling a person's ability to acquire, use, and maintain financial resources, thereby restricting their independence and means of survival. Within the Islamic tradition, family is central and sacred, the foundation of society. The Shariah, or Islamic law, provides detailed guidance on family life, responsibilities, and the ethical treatment of all members. The principles of fairness, justice, and compassion underpin these teachings, offering a framework that inherently condemns abuse of any form, including financial.

Literature Review

Financial Abuse in Domestic Violence

Financial abuse is commonly defined as actions that limit, control, take advantage of, or eliminate another person's ability to obtain funds or other financial resources or to participate in financial decision-making (Johnson, 2022; Christy et al., 2020). While financial abuse is limited within the scope of exploitation of financial resources, other common terms are often used interchangeably within the scope of discussion which is economic abuse is much wider in terms of context, covering all related forms of economic exploitation not only restrictions from money but also other resources such as food, employment or education (Christy et al, 2020). Nevertheless, both financial abuse and economic abuse are some of the most common yet the very least acknowledged types of domestic violence that happen between husband and wife in a marital relationship. Scott (2023); Sharp-Jeffs (2021) and Christy et al (2020) in their research agreed that financial abuse is a form of abusive behavior which intended to undermine the partner's financial independence reinforced by other common forms of domestic abuse such as physical and emotional abuse.

Surviving Economic Abuse UK (SEA) in 2022 published a report (Economic Abuse: A Global Perspective) that shows amongst others the global attitudes to economic abuse. Interestingly, the report stated that the global perception of financial abuse behavior is the least likely acknowledged as part of domestic violence. In Algeria for example, a survey was conducted among Algerian women and 100% of the survey answered that it is the right of the husband to take the wife's salary. Among the biggest factors for the attitude is that financial abuse is invisible, hard to prove and it can be done without the abuser needing to be in close proximity to the victim (Surviving Economic Abuse, 2024). Among all, only 113 countries throughout the world had legislations that specifically addresses economic and financial abuse such as UK and Scotland that are very proactive in policy responses when the countries adopted Domestic Abuse Act 2021 in UK and Financial Abuse Code 2018 in Scotland. Other countries mostly included financial abuse in the current legislations that they have by amending the scope and definition to acknowledge financial abuse as a type of domestic violence in the legislative jurisdiction - the common approach among South Asian countries (World Bank, 2018).

In Islam, any kind of abuse or bad behaviors especially manipulation and exploitation is prohibited. While financial abuse in specific are not explicitly mentioned in Quran or Hadiths but the general principle of fairness and justice prevails especially in maintaining harmonious and healthy relationship within family institution. Among others, religion and culture, although being the least discussed does has influence on the global prevalence of economic abuse where it is shown that in US, 65% of the reported survivors of financial abuse are among Muslim women (Surviving Economic Abuse, 2022).

Analysis And Discussion

Analysis from Maqasid Perspective

Analyzing financial abuse in domestic violence from the Shariah perspective involves delving into Islamic texts—the Quran and Hadith—to extract the principles and directives that govern family responsibilities and financial conduct. These sources highlight the sanctity of marriage and the importance of kindness towards one's family and emphasize the grave consequences of injustice and harm. By exploring these references, we can gain insight into Shariah's stance on financial abuse and its recommendations for fostering healthy, equitable, and supportive family environments.

Fair Treatment and Kindness

"Mothers should breastfeed their children for two full years – for those who wish to complete the full term of nursing, and the father must bear clothing and maintenance in a fair manner. No one should be burdened with more than they can bear: no mother shall be made to suffer harm on account of her child, nor any father on account of his. The same duty is incumbent on the father's heir. If, by mutual consent and consultation, the couple wishes to wean the child, they will not be blamed, nor will there be any blame if you wish to engage a wet nurse, provided you pay as agreed in a fair manner. Be mindful of God, knowing that He sees everything you do."

Surah Al-Baqarah (2:233), Translation: Sahih International

This verse lays down the law regarding the new-born's nursing and outlines the financial responsibilities tied to this period. Scholars like Ibn Kathir have explained that it highlights the obligation of the father to support the nursing mother financially, even if they are separated, as long as she is nursing the child. This includes providing her food and clothing fairly and within his financial capabilities, ensuring the mother is not burdened or harmed during this critical period.

Provision and Maintenance

"Men are in charge of women by [right of] what Allah has given one over the other and what they spend [for maintenance] from their wealth..."

Surah An-Nisa' (4:34), Translation: Sahih International

This verse outlines the financial responsibilities of men towards their families. It states that men are protectors and maintainers of women because Allah has given them more (strength) than others and because they support them by their means.

Scholars interpret this verse as laying the foundation for the financial obligations of men towards their families, especially their wives. This maintenance includes providing for food, clothing, and shelter and is considered the wife's right. The Islamic jurist Ibn Kathir emphasizes that this responsibility is under the husband's financial capacity, promoting justice and kindness within the marital relationship.

"The provider (for his family) is like one striving in the way of Allah."

(Sahih Bukhari:5351)

This Hadith emphasizes the importance a man holds in financially supporting his family. Imam al-Nawawi in his book Al-Minhaj bi Sharh Sahih Muslim, explains that providing for one's family is considered an act of worship because it fulfils a religious obligation and benefits those in need.

"The Messenger of Allah (ﷺ) said: 'Fear Allah concerning women, for they are your trust with Allah."

(Sunan Ibn Majah: 2091)

This Hadith highlights the responsibility of men towards their wives, emphasizing treating them with respect and protecting their rights. This includes financial rights. Scholars like Ibn Qudamah al-Maqdisi in his book, al-Mughni explains that financial security is essential for a woman's well-being, and a husband neglecting this responsibility violates the trust bestowed upon him.

Financial Justice

"Lodge them [in a section] of where you dwell out of your means and do not harm them in order to oppress them. And if they should be pregnant, then spend on them until they give birth. And if they breastfeed for you, then give them their payment and confer among yourselves in the acceptable way; but if you are in discord, then there may breastfeed for the father another woman."

Surah At-Talaq (65:6), Translation: Sahih International

This verse advises how to treat women during the waiting period after a divorce, emphasizing that men should let them live where they live, according to their means, and harm them not to make life difficult.

In the context of divorce, this verse further solidifies the man's duty to ensure the welfare of his wife during the 'iddah period (waiting period after a divorce). The Tafsir by Al-Qurtubi highlights that this obligation is part of treating women with dignity and respect, even during marital dissolution. The provision must be equitable, ensuring that the woman's standard of living is not adversely affected during this period.

These Quranic references illustrate the importance of financial responsibility within the family in Islam. They serve as a counterpoint to the issue of financial abuse, underlining the need for mutual respect, care, and support as fundamental components of family life. In addressing financial abuse in domestic violence from a Shariah perspective, these principles offer a framework for understanding the ethical and legal dimensions of family responsibilities, emphasizing the protection and well-being of all family members as paramount.

Financial Exploitation within Family in Maqasid Perspective

Family is the foundation of many societies, and within that family unit comes a network of financial obligations and rights. Islam strongly emphasizes fulfilling these responsibilities and ensuring just treatment for all members.

Unfortunately, financial abuse can occur within families, disrupting this balance and creating hardship. This chapter will delve into financial exploitation, exploring how it manifests and its detrimental effects. We will then examine the financial responsibilities within a family structure, as outlined by Hadith and scholarly explanations. Finally, we will explore ethical guidelines to promote financial fairness and prevent abuse.

Controlling Access to Resources

Shariah and Islamic scholars' perspective on financial abuse, particularly in controlling access to resources, is deeply rooted in the principles of justice, fairness, and the protection of individual rights. These principles are derived from the Quran and Hadith, guiding Islamic jurisprudence on family and financial matters. Islamic law emphasizes the importance of mutual respect and kindness among family members, which extends to financial dealings. The control of access to resources within a family setting, when it leads to harm or injustice, is considered antithetical to these principles.

Scholarly perspectives on family finances offer a multifaceted approach where Yusuf Al-Qaradawi (Mustafa, 2016) emphasizes economic justice and fair financial treatment within the family, Tariq Ramadan (Ramadan, 2013) focuses on applying Islamic ethics

to contemporary family finances, highlighting fairness and mutual care, and Mohammad Hashim Kamali (Kamali, 2012) delves into Islamic legal principles for financial transactions, stressing equity, consent, and the absence of exploitation.

These perspectives and principles collectively form a robust framework within Islamic jurisprudence for addressing and mitigating financial abuse within the family. They underscore the importance of maintaining balance, fairness, and respect for individual rights in all financial dealings. In cases where financial abuse occurs, Shariah principles advocate for corrective measures to restore justice and harmony within the family, emphasizing the need for support, reconciliation, and, where necessary, legal intervention to protect the rights of the abused.

Restricting Employment

The Islamic perspective on financial abuse, including restricting employment, is rooted in the broader principles of justice, fairness, and protecting individual rights as ordained in Shariah law. Islamic teachings from the Quran and Hadith emphasize the importance of mutual respect, kindness, and the provision of needs within family relationships. Islamic scholars interpret and elaborate on these principles to address various aspects of family life, including financial interactions and employment matters.

Scholars examining spousal employment within Islamic families offer nuanced perspectives. Yusuf Al-Qaradawi, emphasizing cooperation and mutual respect, argues restrictions on employment must prioritize genuine concern for the family's well-being, not control. Tariq Ramadan extends Islamic ethics to employment, advocating a balanced approach that considers the entire family's welfare, not just finances (Ramadan, 2013). Finally, Khaled Abou El Fadl, focusing on Islamic justice and human rights, critiques limitations on spousal employment as a form of financial abuse (Fadl, 1994). He champions the empowerment of all individuals to pursue their rights and reach their full potential within Islamic ethical guidelines.

Debt Accumulation

Islamic finance and ethics, grounded in Shariah law, offer detailed guidance on managing debt, emphasizing justice, transparency, and the avoidance of undue hardship. The accumulation of debt, especially when it leads to financial abuse within the family, is addressed with caution and concern by Islamic scholars and legal traditions. The perspective of Shariah on debt is multifaceted, incorporating the ethical, social, and legal dimensions of financial dealings.

Drawing upon the ethical and legal foundations of the Quran and Hadith, Islamic scholars have provided multifaceted guidance on debt management and abuse. Imam Al-Ghazali, emphasizing the moral and social dimensions, advocated for responsible borrowing limited to necessities and with a clear repayment plan (Irijanto et al., 2015). Contemporary scholars like Sheikh Yusuf Al-Qaradawi extend this framework to modern financial realities, stressing the importance of fulfilling debt obligations and cautioning against excessive borrowing that could lead to hardship or

conflict. Further, Muhammad Taqi Usmani, a prominent figure in Islamic finance, delves into the permissibility of debt and the necessity of fair terms to prevent exploitation and ensure a just financial environment (Usmani, 2001).

Shariah law offers a robust framework for tackling debt accumulation as a form of financial abuse within families. It firmly condemns practices that generate injustice and deception, such as incurring debt in another's name without consent or utilizing shared resources solely for servicing personal debts. The core principle of individual responsibility and accountability extends to financial actions, and exploiting familial trust to accrue debt is considered a violation of Islamic ethics. However, Shariah doesn't abandon those caught in abusive situations. It provides mechanisms for dispute resolution, encourages repentance and rectification, and emphasizes fair debt settlement alongside compensation for any inflicted harm. In essence, Islamic jurisprudence promotes both preventative measures through ethical financial conduct and restorative measures through compassionate dispute resolution, ultimately aiming to uphold rights, restore harmony, and ensure just financial practices within the family unit.

Misuse of Marital Fund

The misuse of marital funds is a significant concern within Islamic finance and family law, viewed through the lens of ethical conduct, justice, and the rights of spouses. Shariah law, based on the Quran and Sunnah (the teachings and practices of Prophet Muhammad PBUH), provides comprehensive guidance on financial dealings, including those between spouses. Islamic scholars, both classical and contemporary, have elaborated on these principles to address the issue of financial abuse, specifically the misuse of marital funds.

Islamic scholars offer a multifaceted approach to managing marital finances, emphasizing the prohibition against misuse of funds. Yusuf Al-Qaradawi champions mutual consultation (*shura*), arguing that unilateral decisions or financial mismanagement by one spouse violate Islamic principles. Similarly, Muhammad Taqi Usmani, drawing upon the concept of financial justice within Shariah law, suggests both spouses have a say in financial decisions and that expenditures serve the family's best interests, preventing misuse (Usmani, 2001). Extending this perspective, Tariq Ramadan highlights the importance of ethical financial conduct, arguing that misuse of marital funds undermines the trust and mutual respect that form the bedrock of an Islamic marriage. In essence, scholars emphasize open communication, shared decision-making, and ethical financial practices to safeguard against misuse within marital finances.

Conclusion

Financial abuse in domestic violence represents a significant but under-addressed issue. This article has explored this problem through the lens of Maqasid Shariah, highlighting its incompatibility with Islamic principles of fairness, justice, and family well-being. By examining financial obligations within marriage as outlined by the Quran and Hadith, the article establishes a strong foundation for condemning financial abuse.

Further research could explore practical applications of Maqasid Shariah principles. This might involve developing educational resources or intervention programs to raise awareness and empower victims of financial abuse. Ultimately, integrating Maqasid Shariah into the understanding and response to financial abuse can promote healthier, more equitable family structures within Islamic communities.

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IMPACT MEASUREMENT APPROACH ON ZAKAT DISTRIBUTION FOR THE ECONOMIC EMPOWERMENT

Nur Harena Redzuan
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia
nurharena@iium.edu.my

Emir Camdzic
Centre for Islamic Finance
University of Bolton
United Kingdom, E.Camdzic@bolton.ac.uk

Abstract

The fundamental issue of rising living costs is a pervasive global issue that affects many countries, especially the Muslim population. Despite the various efforts to address the issue through various measures, increasing the cost of living is one of the major issues, particularly among lower-income groups. Zakat is offering a solution that focuses on redistributing wealth by providing financial assistance to the segment of society that is affected the most. The zakat aid could reduce some of the burden on the family in meeting the increasing cost of living, particularly by ensuring adequate provision of basic needs. Despite the growing interest in impact measurement in Islamic social finance, there is still a lack of consensus on measuring and evaluating the impact among zakat recipients effectively. In addressing the issues stated above, this research aims to explore the methodology used to measure the impact of zakat distribution on Islamic social finance initiatives among asnaf in economic empowerment.

Keywords: Zakat, Impact measurement, Islamic social finance

Introduction

Zakat is one of the fundamental pillars of the Islamic faith. It is a sign of justice for the Islamic economy that guarantees an equitable and reliable distribution of resources. Zakat is an act of socio-financial worship obligatory for every eligible Muslim based on the Quran, Hadith, and Ijma. A minimum standard of living and the development of economic activities can be achieved through this wealth-sharing mechanism for the Muslim community. The zakat fund could also act as a financial tool for the needy and the poor to improve their living standards. The importance of zakat can be seen

socially in many ways, including strengthening social relations between rich and poor, reducing injustice, resolving social problems, transforming souls, and mitigating the causes of conflict and disagreement between societies (M. Akram & Afzal, 2014). As stated in the Qur'an, there are eight categories of zakat recipients, and the majority of them have limited access to the zakat fund.

By its very design, Zakat aims to provide for the basic needs of the low-income and financially underserved population. In the Muslim population, where there's a diverse economic landscape with both urban and rural communities, zakat can play a pivotal role in bridging economic disparities across the various demographic segments of society. By empowering individuals at the grassroots level, zakat sets the stage for more inclusive economic growth and equitable income distribution. This strengthens the base of the nation's economic pyramid and fosters resilience in the face of economic challenges. From traditional crafts to localise agriculture productions, zakat can be the catalyst that turns asnaf entrepreneurial aspirations into tangible and sustained businesses. As these small businesses flourish, they have the potential to create employment opportunities, reduce unemployment rates, and drive local economies. This is particularly impactful in rural and semi-urban areas with limited job opportunities.

Diving into the sociocultural dynamics, this study unveils a methodology and transformative power in reshaping societal norms. With better financial capacities, families can access improved well-being for healthcare, send their children to better schools, and contribute to community projects. This cascading effect of individual financial empowerment can significantly uplift the community's well-being, thus enhancing human development. The insights from this study can be instrumental in shaping policies and strategies for zakat institutions. Moreover, highlighting the success stories and potential of zakat distribution can provide evidence of impactful zakat distribution.

The study aims to provide insight into the methodology of impact measures for zakat distribution, particularly for zakat beneficiaries in economic empowerment initiatives. The first section presents a review of impact measurement for zakat distribution. Then, a review of available literature related to impact measurement is discussed in the subsequent section. The third section explains the methodology of qualitative descriptive analysis in assessing the impact on zakat distribution. Finally, some challenges in measuring the impact on zakat distribution are deliberated in the final section.

Literature Review

According to the United Nations (UN), "Poverty is not just the lack of access to economic or material resources but also a violation of human dignity.". The World Bank also gives a statistical definition of poverty. The worldwide poverty line of $2.15 per day is used to monitor advancements in achieving the World Bank's objective of decreasing the proportion of individuals residing in extreme poverty to below 3 percent by 2030. They expand on the fact that lack of infrastructure, inadequate access to education, and healthcare issues are now included in the concept of poverty. This highlights and illustrates how multifaceted, complex, and unpredictable poverty is and

how it involves social, economic, and political realities, especially concerning a lack of resources (Gupta & Sharma, 2021). As a result, they believe in their research that having a steady income is crucial and may be one of the mechanisms for advancing socioeconomically and breaking the cycle of poverty.

The study on the impact of zakat distribution among asnaf on economic empowerment within the scope of Islamic social finance initiatives reveals several research gaps. Firstly, there is a need for empirical studies that analyse the socioeconomic outcomes of zakat recipients, particularly in terms of sustainable income levels and well-being. This research will contribute to understanding zakat's effectiveness as a tool for lasting economic empowerment. Moreover, there is an under-exploration of the synergistic potential of zakat when combined with other Islamic social finance instruments like microfinance. Such integrative approaches could potentially amplify the impact on economic empowerment but remain insufficiently examined. Addressing these research gaps is crucial for optimising the role of zakat in economic empowerment and enhancing the efficacy of Islamic social finance initiatives.

Theory of Change

The theory of change is a strategic planning methodology employed by organizations, projects, or people to clearly describe the anticipated process and rationale behind a desired change over a period of time. It can be described as a strategic plan that outlines the chronological order of events, actions, and interventions that are led to the desired outcomes. Fundamentally, a theory of change offers a systematic framework for comprehending the causal connections among inputs/activities, outputs, outcomes, and impacts. Inputs refer to the activities or resources that are allocated, such as financial support, specialized knowledge, or time. Activities refer to the precise actions that are carried out with the intention of instigating change, whereas outputs denote the immediate outcomes that arise from these activities. Outcomes refer to the changes in behavior, attitudes, or conditions that occur as a short-term result of these outputs, ultimately leading to the intended long-term impact.

Developing a theory of change involves a collaborative process of stakeholder engagement, data collection, and analysis to identify the underlying assumptions and pathways to change. By clearly articulating the assumptions and causal pathways, organizations can better understand the complexities of the systems they seek to influence and adapt their strategies accordingly. Additionally, a theory of change provides a basis for monitoring and evaluating progress towards the desired outcomes, enabling organizations to assess the effectiveness of their interventions and make informed decisions about resource allocation and programmatic adjustments. Overall, the theory of change serves as a powerful tool for driving strategic planning, fostering accountability, and maximizing the likelihood of achieving meaningful and sustainable impact.

Review of Literature on Impact Assessment for Economic Empowerment

The literature on impact assessment of economic empowerment initiatives provides valuable insights into the effectiveness of these programs in addressing socio-economic challenges and fostering financial inclusion. The study refers to selected literature and reports that offer a unique perspective on key indicators used to evaluate the impact of these initiatives:

i. Bank Negara Malaysia (2022). Annual Report 2022: The annual report of Bank Negara Malaysia focuses on indicators such as business growth, employment, and financial resilience to assess the impact of its initiatives on economic development and stability. These indicators are crucial for measuring the overall contribution of economic empowerment programs to the economy and the well-being of its citizens.
ii. Bank Islam Sadaqah House Impact Report 2022: The Bank Islam Sadaqah House Impact Report provides indicators related to income/sale, asset growth, savings, and job creation, reflecting the specific goals of its Sadaqah House initiative. This report also highlights the impact of digitalization efforts in enhancing financial inclusion and access to Islamic financial services.
iii. 60 Decibels Microfinance Index (2022): The 60 Decibels Microfinance Index focuses on assessing business impact, household impact, financial management, and resilience, which are essential for evaluating the effectiveness of microfinance programs in empowering entrepreneurs and lifting households out of poverty. The inclusion of digitalization as an impact indicator suggests a growing recognition of the role of technology in expanding financial services to underserved communities.
iv. Amanah Ikhtiar Malaysia: BORANG PBMR (2023): The study explores the approach of impact assessment conducted by Amanah Ikhtiar Malaysia (AIM). The form named BORANG PBMR (2023) is the form that sahabat of AIM need to record their income collection and expenses on weekly basis. Data is collected since 2021 across the whole states in Malaysia.

Abd Halim, S., Selvaratnam, D. P., & Bakar, N. A. (2013): The assessment focuses on microfinance program on the impact to the income levels, consumption patterns, asset accumulation, and wider socio-economic impacts such as children's education and nutrition. It provides insights into the multi-dimensional effects of microfinance interventions on poverty alleviation and community development.

World Bank (2007). Impact Evaluation for Microfinance: Review of Methodological Issues: The World Bank report on impact evaluation for microfinance offers a comprehensive review of methodological issues and indicators used in assessing the impact of microfinance initiatives worldwide. It likely discusses indicators such as enterprise income, consumption or income levels, consumption smoothing, wider impacts, and spillover effects, highlighting the complex dynamics of microfinance interventions and their broader implications for poverty reduction and economic development.

The literature on impact assessment of economic empowerment initiatives encompasses a wide range of indicators, reflecting the diverse goals and contexts of these

programs. By examining these indicators, policymakers, practitioners, and researchers can gain valuable insights into the effectiveness of zakat distributions in promoting financial inclusion, poverty alleviation, and sustainable development. Table 1 shows a comparison table summarizing the key indicators of impact assessment from selected literature and reports by different organizations. This table highlights the diverse range of indicators used by different organizations to assess the impact of their Zakat distribution and microfinance initiatives. While some indicators are common across multiple reports, such as income/sale, asset, and household impact, others are more specific to certain organizations' objectives and contexts. Additionally, there is a growing emphasis on digital upskilling and digitalization as essential components of economic empowerment programs. Moreover, the inclusion of wider impacts and spillover effects underscores the interconnectedness of socio-economic development and the importance of considering broader societal implications beyond individual beneficiaries.

Table 1: Analysis of Literature on Impact Assessment for Economic Empowerment

Indicators / Dimensions	**BNM 2022**	**BIMB Sadaqa House 2022**	**60 Decibels MF2022**	**AIM 2023**	**Abd Halim et. al. (2013)**	**World Bank (2007)**
Business growth	✓		✓			
Employment	✓		✓	✓		
Financial resilience	✓		✓			
Digital upskilling			✓			
Income / sale	✓	✓	✓	✓	✓	✓
Asset	✓	✓	✓		✓	✓
Savings						
Job creation		✓		✓		
Digitalization		✓	✓			
Business impact			✓			
Household impact			✓			
Financial management			✓			
Expenses					✓	
Asset – land and house		✓				

Source: Authors' own

Methodology Of Impact Assessment For Zakat

Narratives from the Heart: The Qualitative Approach

One of the central tenets of the study stems from the humanities, focusing on the stories and lived experiences of individuals who received zakat. Personal narratives, stories, and oral histories of zakat beneficiaries are crucial to data collection. By recording and analyzing these first-hand accounts, the research seeks to capture the aspirations, adversities, and accomplishments of individuals who have turned to zakat as a success story. The research goes beyond mere economic numbers. The study may assess into the field to understand the impact of zakat distribution among asnaf. It is expected that as economic empowerment takes root, it also brings subtle shifts in the whole well-being of a community. The findings are hoped to trace these changes and understand how they resonate with broader socio-economic transformations.

Impact Assessment Approach for Zakat Distribution

The distribution of Zakat, a fundamental pillar of Islamic finance, plays a crucial role in addressing socio-economic disparities and fostering financial empowerment within Muslim communities. The theory of finance can be applied to zakat distribution activities targeted towards asnaf, with a focus on economic empowerment and its subsequent impacts on income, education, nutrition, savings, as well as short-term outcomes and long-term impacts. Figure 1 below shows the theory of change for zakat distribution, which provides the impacts to the asnaf from zakat aid.

Zakat, an obligatory form of charity, is collected from the wealth of affluent Muslims and distributed among eight categories of eligible recipients, known as asnaf. The allocation of zakat funds must adhere to Islamic principles, ensuring fairness, equity, and social justice. The economic empowerment initiatives aim to uplift asnaf recipients by providing them with financial resources, skills, and opportunities to improve their socio-economic status. This may include vocational training, microfinance schemes, entrepreneurial support, and income- generating projects tailored to the specific needs of different asnaf categories. Through targeted economic empowerment programs, asnaf recipients can achieve various tangible outcomes. First, increase in income from the micro-business activities. Economic empowerment initiatives enable asnaf to access sustainable livelihood opportunities, thereby enhancing their earning potential and financial stability. Second, economic empowerment encourages asnaf to cultivate savings habits and build financial resilience for future needs and emergencies. Third, higher household incomes allow asnaf families to save money for their children's education, ensuring access to quality schooling and educational resources. And fourth, it provides output by improving financial resources that enable asnaf households to afford nutritious food, contributing to better health and overall well-being.

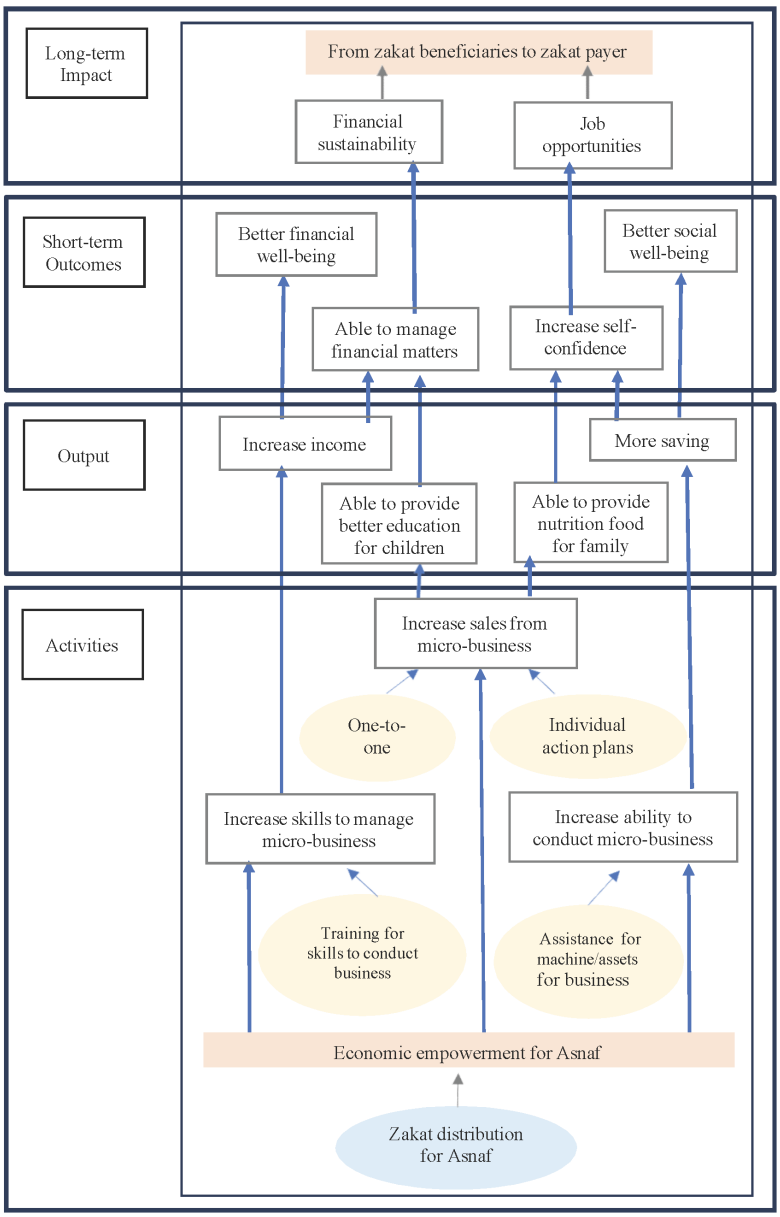
In the short term, zakat distribution activities focused on economic empowerment yield several positive outcomes. Asnaf experience immediate improvements in their financial situation, including increased income and savings, which enhance their financial security and stability. Economic empowerment initiatives foster social

cohesion and inclusion within communities, as asnaf recipients become more financially independent and integrated into economic activities. Asnaf gain essential financial management skills, such as budgeting, saving, and pay-off debt, enabling them to make informed financial decisions and mitigate financial risks effectively. Economic empowerment empowers asnaf with a sense of agency and self-worth, boosting their confidence and resilience in pursuing economic opportunities and overcoming challenges.

Over the long term, sustained zakat distribution activities aimed at economic empowerment led to transformative impacts on both individuals and communities. It provides financial sustainability for asnaf, with own incomes generated from the business. Asnaf transition from being zakat beneficiaries to zakat payers, as they achieve financial independence and contribute back to the zakat system, ensuring its sustainability and continuity. Economic empowerment initiatives create a ripple effect by generating employment opportunities, stimulating economic growth, and reducing poverty within communities. Empowered asnaf play an active role in community development initiatives, fostering social cohesion, and contributing to the overall well-being and prosperity of society.

The theory of change applied to zakat distribution activities for asnaf underscores the importance of economic empowerment in fostering sustainable socio-economic development. By prioritizing initiatives that enhance income, education, nutrition, and savings, zakat organizations can effectively uplift asnaf recipients, leading to short-term improvements in financial and social well-being, as well as long-term impacts on financial sustainability and community development.

Figure 1: A Theory of Change for Zakat Distribution to Asnaf for Economic Empowerment



Source: Author's own

Key Indicators for Impact Assessment for Zakat Distribution

Assessing the impact of Zakat distribution activities for asnaf involves evaluating various key indicators across financial, economic, social, religiosity, and technological dimensions, with additional consideration for the impact of external factors such as the COVID-19 pandemic. Financial impact assessment encompasses metrics such as income/sales, business assets, and financial resilience/management, which gauge the economic empowerment achieved through Zakat initiatives. Increases in income and business assets indicate improved financial stability among zakat recipients, while enhanced financial resilience and management skills demonstrate their capacity to withstand economic shocks and manage resources effectively.

On the economic indicator, the assessment focuses on business and consumption impacts, measuring the contribution of zakat-funded initiatives to local economic development and consumption patterns within asnaf communities. Positive economic impacts are evidenced by the growth of micro and small businesses, increased market activity, and improved access to goods and services. Social impact assessement emphasizes household outcomes, particularly in terms of children's education and nutrition. Savings in education and access to nutritious food not only improve individual well-being but also contribute to long-term socio-economic development within asnaf households. Religiosity impact assessment considers the fulfillment of religious obligations such as prayer, charity (sadaqah), zakat, and saving for the Hajj, reflecting the spiritual and moral dimensions of zakat distribution activities. Additionally, the evaluation includes an analysis of technology adoption impact, assessing the extent to which asnaf recipients utilize technology and undergo digital upskilling to enhance their economic opportunities and resilience in an increasingly digital world.

Amidst the challenges posed by the COVID-19 pandemic, the assessment also examines how zakat initiatives mitigate the socio-economic impacts of lockdowns and disruptions, ensuring continued support for vulnerable communities during times of crisis. Through comprehensive impact assessment, zakat institutions can measure the effectiveness of their interventions and refine strategies to maximize positive outcomes for asnaf recipients and society at large.

Project Management for Impact Assessment of Zakat Distribution

Project management for impact assessment of zakat distribution involves a structured approach to understanding and evaluating the outcomes, beneficiaries, scale, contribution, and risks associated with Zakat distribution initiatives. Firstly, the “What” is the impact dimension encompasses identifying the specific outcomes that occur as a result of Zakat distribution efforts within a defined period. These outcomes are assessed in terms of their positivity or negativity and their significance to the individuals directly experiencing them. By discerning the nature and importance of these outcomes, project managers can gauge the effectiveness of Zakat distribution in meeting the needs and improving the well-being of the target beneficiaries.

Secondly, the "Who" aspect of impact assessment delves into identifying the beneficiaries who directly experience the outcomes of Zakat distribution. In the context of Zakat, this involves understanding how asnaf, the eligible recipients of Zakat, have been impacted by the aid they receive. By examining the experiences and perspectives of asnaf, project managers can gain insights into the effectiveness and relevance of Zakat distribution initiatives in addressing their socio-economic needs and challenges.

Thirdly, assessing "How much" entails quantifying the scale, depth, and duration of the outcomes occurring as a result of Zakat distribution. This involves determining the extent to which these outcomes manifest among the target beneficiaries and the magnitude of their impact on their lives and livelihoods. By quantifying the outcomes, project managers can better understand the reach and effectiveness of Zakat distribution initiatives in creating positive changes within the community.

Fourthly, evaluating the "Contribution" aspect involves determining the extent to which observed changes can be attributed to Zakat distribution activities. Project managers assess whether the changes would likely have occurred anyway, even in the absence of Zakat aid. This helps in understanding the direct impact of Zakat distribution initiatives and their role in facilitating positive outcomes for the beneficiaries.

Lastly, identifying and managing "Risk" involves recognizing potential risks associated with the non-occurrence or deviation of expected impacts. Project managers assess the implications of these risks on the well-being and livelihoods of the beneficiaries and develop strategies to mitigate them effectively. By proactively addressing risks, project managers can ensure the continued effectiveness and sustainability of Zakat distribution initiatives in meeting the needs of the community. Overall, proper project management for impact assessment of Zakat distribution involves a comprehensive and systematic approach to understanding, evaluating, and optimizing the outcomes and impacts of Zakat distribution efforts for the benefit of the intended beneficiaries.

Challenges in Conducting Impact Assessment for Zakat Distribution

The process of gathering data to assess the impact of zakat distribution, especially in the context of asnaf for economic empowerment, presents several challenges and issues: first on data availability and accessibility. For zakat beneficiaries particularly with the micro and small businesses with limited resources, may not always have systematic records of financial and operational data. This lack of data makes it challenging to accurately assess the pre- and post- zakat aid status. Secondly on reliability and consistency of demographic data for zakat beneficieries. The quality of related information provided by asnaf can vary significantly. In some cases, the data such as total income might be incomplete, outdated, or not maintained consistently, affecting impact assessment reliability. Thirdly, the willingness to share information. Some asnaf might be reluctant to share financial and operational details due to privacy concerns or fear of additional scrutiny from the zakat institutions. This hesitancy can lead to gaps in data collection in conducting impact assessment. Fourthly, the sampling bias.

The selection of respondents among asnaf based on their agreement, which may lead to sampling bias. Fifth, the impact attribution for the assessment. It could be difficult to attribute changes in a micro-business's performance solely to the assistance received. Other external factors, such as market trends, economic conditions, and management decisions, also play a significant role to the changes in the business performance.

Next on the cultural and social factors. Adherence to Islamic principles and social responsibilities is crucial in Islamic social finance. However, quantifying the impact of zakat distribution on such intangible aspects can be complex. Seventh, on the timeframe for assessing impact. Determining the appropriate timeframe to assess the impact of zakat distribution is challenging. Some impacts might be immediate, while others, like business growth or community contributions, may take longer to manifest the impacts. Eighth, the comparative analysis for the impact assessment. Comparing the impact across different sectors and regions of zakat distribution requires a different approach, as each segment may respond differently to financial support. Lastly on dealing with the regulatory and compliance issues. In order to ensure data collection and analysis comply with data secrecy issues, regulations, and privacy laws is crucial, adding another layer of complexity to the process of impact assessment as the whole. To address these challenges, zakat institutions should implement strategies such as developing standardized data collection templates, offering training and support to zakat recipients for better record-keeping, using technology to facilitate data gathering, and conducting regular reviews to ensure the relevance and accuracy of the data collected. Additionally, engaging with zakat recipients to build trust and understand the context-specific factors influencing their businesses can significantly enhance the quality and effectiveness of impact assessments. The resources are most important element to ensure the impact assessment can be conducted in a smooth approach. The assessment requires skilled personnels, funding and clear project management for a specific study on the impact of zakat distribution to asnaf.

Conclusion

The impact assessment of Zakat distribution initiatives requires a comprehensive understanding of the outcomes, beneficiaries, scale, contribution, and risks associated with these programs. By systematically evaluating these dimensions, the specific exercise can gain valuable insights into the effectiveness and relevance of Zakat distribution in addressing the socio-economic needs of asnaf and fostering positive changes within the community. Through this structured approach, the lead personnels can identify areas of success and areas needing improvement, enabling them to refine strategies and optimize the impact of zakat distribution initiatives for the benefit of the intended beneficiaries.

Moving forward, it is imperative for stakeholders involved in zakat distribution to prioritize accountability, transparency, and continuous monitoring and evaluation. By adopting best practices in impact assessment, zakat institutions can enhance their effectiveness in meeting the needs of asnaf and maximizing the positive impact of zakat

distribution on socio- economic development. Moreover, fostering collaboration and knowledge-sharing among stakeholders can further strengthen the impact assessment process, leading to more informed decision-making and greater overall effectiveness in achieving the objectives of zakat distribution initiatives.

Future research can be extended to various countries to learn about experiences and understand issues and challenges facing zakat distribution initiatives. Future research can be conducted on the structure of zakat distribution to fund asnaf in the economic empowerment programs. In particular, how are the zakat-aid for asnaf being addressed in these countries? Future research can also explore the issues of sustainability for asnaf particularly for micro business owners and how they can increase their resilience to future economic challenges. The funding often supports microbusiness start-ups and providing asset or machinery for the business. Considering limited financial resources among asnaf, receiving zakat-aid is highly beneficial for them. Additionally, many zakat institutions incorporate peer-group support, encouraging community co-operation and mutual responsibility. Furthermore, some institutions offer financial education and training, helping asnaf as the microentrepreneurs manage their finances effectively and sustain their businesses.

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THE COMMODITY MURABAHAH IN MALAYSIAN ISLAMIC FINANCE: THE LESSONS LEARNT AND PRACTICAL RECOMMENDATION

Rusni Hassan
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia, 53100, Selangor
hrusni@iium.edu.my

Syarah Syahira Mohd Yusoff
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia, 53100, Selangor
syarahyusoff@iium.edu.my

Fatimah Mohamad Noor
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia, 53100, Selangor
siti.fatimah256@yahoo.com

ABSTRACT

Prior to the introduction of commodity murbahah in Islamic banking products and services in Malaysia, the concept of bay' 'inah had become the main underlying contract for most deposit and financing products. However, its application has led to disagreement among Shariah scholars regarding its permissibility. To resolve this, the commodity murabahah was introduced as an alternative. The main purpose of this study is to discuss the current practice of the commodity murabahah in the Islamic banking system in Malaysia. This study uses a qualitative research method by analysing and reviewing relevant literature and documents in order to comprehend the operational structure of commodity murabahah in the Islamic banking system in Malaysia. This study found that the practice of commodity murabahah is well-supported by a robust legal framework to overcome any disputes related to commodity murabahah practices. Moreover, it is evident that the establishment of Bursa Suq Al-Sila (BSAS) is aimed at facilitating the liquidity management of the Islamic as well as enhancing the transparency and efficiency of the commodity murabahah transactions. This conceptual study is confined to only the discussion of the concepts and practices of commodity murabahah in different types of Malaysian Islamic banking products and services. The lesson learnt from exploring the practice of commodity murabahah in Malaysia provides a better understanding of the importance of a sound governance framework to support the growth and diversification of Islamic finance products and to provide better Shariah scrutiny.

Keywords: Commodity Murabahah, Islamic Deposit, Islamic Financing

Introduction

Malaysia has attempted to diversify a range of Islamic banking products that are intended to improve the efficiency of Islamic financial institutions and thereby boost Malaysia's economy which is in line with the vision of becoming a global hub for Islamic finance. In the past, employing bay' 'inah in financial market transactions was common in Malaysia. Conflict arose, though, because the majority of Shariah scholars had different opinions on its permissibility. To resolve this dispute, the commodity murabahah also known as tawarruq was presented as bay' 'inah's substitute. As a result, the commodity murabahah concept has become the foundation for several Islamic financial products, including financing, deposit products, asset and liability management, and risk management products (Ahmad et al., 2017).

Introducing the commodity murabahah is motivated by the desire to solve the complexity of the application of bay' inah in tackling the compliance issue with Bank Negara Malaysia policy and adhere to the majority opinion of Shariah scholars who prohibit bay' 'inah. Shariah scholars who permit commodity murabahah are of the view the creation of financial products based on commodity murabahah is consistent with Shariah principles as well as the objective of Shariah (Ghazali, 2014). However, Shaharuddin (2019) in his study found that the commodity murabahah by most Islamic banks is insignificantly different from the bay' 'inah contract. Both products create debt instruments. This leads to criticism, especially among Muslim economists who view that the adoption of the commodity murabahah does not support the achievement of the objectives of Shariah.

Despite the criticism, the commodity murabahah is considered the most practical option for Islamic bankers to develop alternatives for interest-free financial products. In other words, given the prevailing banking regulatory requirements and settings, the commodity murabahah contract is the best available solution for fulfilling the financial needs of Muslim customers, especially in Malaysia. However, there is a need for a special marketplace to overcome the limitations and constraints of the sheer size of Islamic finance transactions in executing the commodity murabahah transaction. During the early stage of the development of Islamic financial institutions, the London Metal Exchange (LME) was the only platform available for commodity traders to conduct sales and purchase of commodities. Considering the importance of this special marketplace in facilitating the liquidity management of the IFI, the Malaysian government has taken the initiative to establish Bursa Suq As-Sila (BSAS) as a new Shariah-compliant platform for commodity trading. This platform seeks to enhance the best practice of the commodity murabahah in IFI by ensuring appropriate contract sequencing, sufficient delivery procedures, and transparent Shariah review and audit processes (Micheal, 2021).

Therefore, this study attempts to discuss the practice of commodity murabahah in Malaysia in terms of its permissibility and its application in Islamic banking products,

Islamic Interbank Money Market (IIMM) and Bursa Suq Al-Sila (BSAS). It is hoped that exploring the current practice of the commodity murabahah could provide a better understanding of the reason commodity murabahah has become a major preference for the Islamic banking industry in Malaysia.

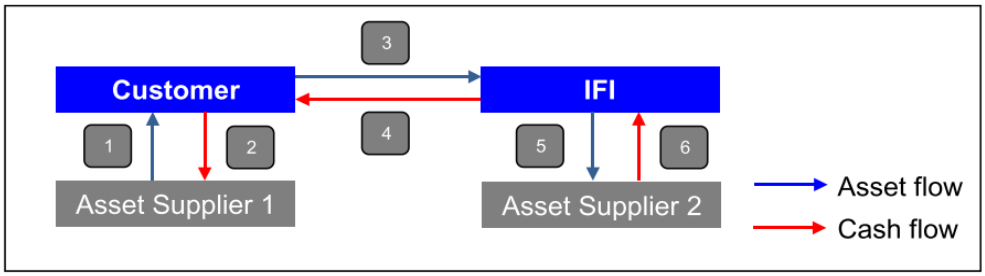
Literature Review

Permissibility of Commodity Murabahah in Deposit and Financing Products

With regard to the permissibility of commodity murabahah, the Shariah Advisory Council, in its 51st meeting dated 28 July 2005, has resolved that deposit and financing products based on commodity murabahah are permissible. The resolution is based on the following textual provisions and views relating to the permissibility of commodity murabahah based on the Quran, legal maxim and contemporary views of Shariah scholars on the permissibility of commodity murabahah based on views of Hanafi, Hanbali and Syafii school of thoughts. From the Quran, Allah SWT says: "…Whereas Allah has permitted trading and forbidden riba usury...". Based on the general meaning of the above verse, scholars are of the view that the commodity murabahah is allowed since it is a kind of trading activity. It may be conducted to obtain cash, with the purpose known by all related parties or not. It may also be conducted due to a pressing need or as a common practice of certain parties or institutions. In the aspect of legal maxim, it is based on the maxim "According to the original method of ruling, mu'amalah is permissible, except when there is a provision prohibiting it." SAC BNM also highlights that as a result of the transaction above, the Islamic financial institution will assume liability (the cost price of the commodity plus profit margin) to be paid to the customer on maturity. The purchase price of the commodity from metal trader A and the sale price of the commodity to metal trader B are of the same amount (Bank Negara Malaysia, 2010).

Shariah Resolution of Bank Negara Malaysia thereby defines commodity murabahah as a mu'amalah with two stages of transactions. In the first stage, the buyer will purchase an asset on credit from the original seller, and in the second stage, the buyer will then sell the asset on a cash basis to a third party. It is named commodity murabahah because the buyer purchased the asset on credit with no intention of utilising or benefiting from it, but rather to sell it to obtain cash. It is widely used in deposit products, financing, asset and liability management as well as risk management (Bank Negara Malaysia, 2010). The following figures 2.1 and 2.2 illustrate the general structure of commodity murabahah for financing and deposit products according to Bank Negara Malaysia.

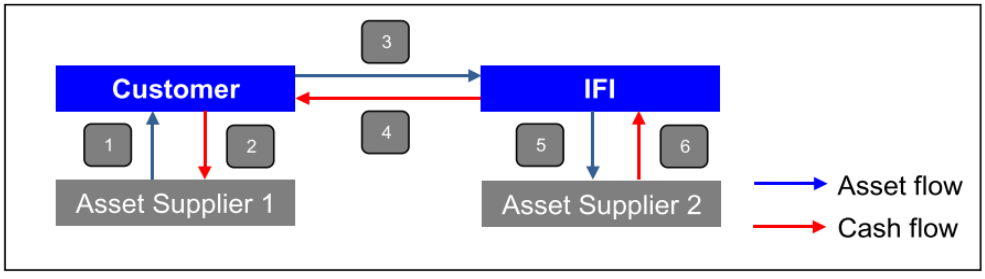
Figure 2.1 The Structure of Commodity Murabahah for Financing Products



The above figure shows that a customer requires financing of RM100,000 from the IFI. Upon this request, the IFI executes the tawarruq arrangement.

i. The IFI purchases the asset with a selling price of RM100,000 from the Asset Supplier
ii. The IFI pays cash to Asset Supplier 1. Subsequently, the IFI sells the asset to the customer at an agreed selling price of RM120,000 (RM100,000 + profit RM20,000).
iii. The customer makes deferred payments through monthly instalments for a period of 5 years.
iv. Subsequently, the customer appoints the IFI as its agent to sell the asset to Asset Supplier 2 on the spot at the selling price of RM100,000.
v. The customer obtains a cash of RM100,000 required for the financing.

Figure 2.1 The structure of Commodity Murabahah for Deposit Products



Based on the figure above, a customer makes a fixed deposit placement of RM100,000 with the IFI for a 90-day period. Upon this request, the IFI executes the tawarruq arrangement.

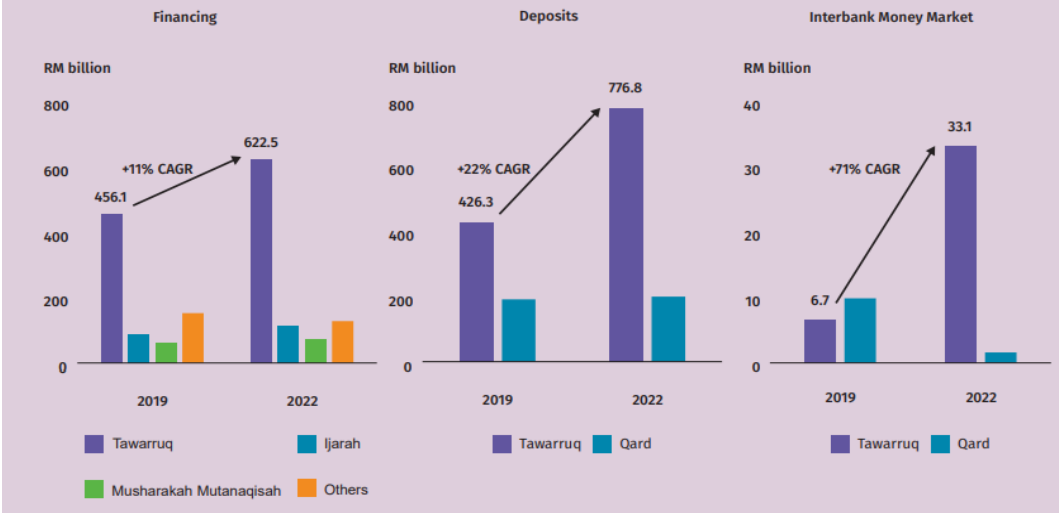
i. The customer appoints the IFI as its agent to purchase the asset from Asset Supplier 1 with a selling price of RM100,000.
ii. The IFI uses the cash deposit placed by the customer to pay for the purchase.
iii. Subsequently, the customer appoints the IFI as its agent to sell the asset to the IFI itself at an agreed selling price of RM100,863 (RM100,000 + profit RM863 i.e. 3.5% per annum)

iv. The IFI makes a deferred lump sum payment to the customer upon maturity of the deposit placement.
v. Subsequently, the IFI sells the asset to Asset Supplier 2 on the spot at the selling price of RM100,000.
vi. The IFI obtains cash of RM100,000 as per the deposit placement.

The Application of Commodity Murabahah in Islamic Banking Products in Malaysia

In Malaysia, the practice of commodity murabahah involves three main Islamic finance segmentations such as the Islamic banks, the Interbank Money Market (IIMM) and Bursa Suq Al-Sila (BSAS) (Ahmad et al., 2017). In Islamic banking operations, the commodity murabahah contract was used as an underlying contract for both deposit and financing products. Meanwhile, within the application of the Islamic Interbank Money Market (IIMM), Islamic banks serve as brokers based on commodity murabahah standards to manage liquidity (Hasmad & Alosman, 2022). Recent data shows that the commodity murabahah is the most widely used contract in key product segments which include financing, deposits and interbank money market. This is largely due to its ability to facilitate the placement of funds and provide cash for different finance purposes such as working capital, trade financing and the purchase of properties (Bank Negara Malaysia, 2022). Diagram 3.1 below shows the current trends and composition of tawarruq or commodity murabahah and other Shariah contracts by key segments of Islamic banks in Malaysia.

Diagram: The Current Trends and Composition of Commodity Murabahah or Tawarruq and other Shariah Contracts by Key Products Segments of Islamic Banks as at 31 December 2022



Islamic Deposit Products Based on Commodity Murabahah

In Malaysian Islamic banking practices, the Islamic deposit account has been divided into two types of accounts which are the current account saving account (CASA) and the Islamic term deposit account. The Islamic deposit CASA is structured based on

either a qard or commodity murabahah arrangement. Meanwhile, for Islamic term deposit accounts, almost all Islamic banks nowadays use the commodity murabahah contract as their underlying contract which gives fixed returns and requires specific terms and maturity dates for the placement of deposits.

Islamic Current Account and Savings Account (CASA)

After IFSA came into effect in 2013, Islamic banks in Malaysia were given two years to replace the wadi'ah deposit account with either qard or commodity murabahah contracts. As a result, the majority of Islamic banks have changed their deposit CASA into commodity murabahah contracts. It is important to note that the Islamic Financial Services Act 2013 (IFSA) has classified the new structure of Islamic deposit as a capital guarantee compared to the former structure of wadi'ah (safekeeping) or mudarabah (profit-sharing) where the capital is not guaranteed. These two types of contracts are no longer practical for deposit accounts and the majority of Islamic banks use either qard or commodity murabahah contracts in their term deposit products (Shafie et al., 2020).

Islamic Term Deposit

Commodity murabahah term deposit is a term deposit product with a fixed profit rate. The profit is derived from the commodity purchase and sale transactions based on the fixed profit rate determined upfront. The application of commodity murabahah term deposit, however, must be supported by wakalah (agency) whereby the bank is appointed as an agent of the customer to purchase a commodity from a supplier (Ahmad et al., 2017).

According to Shafie et al. (2020), IFIs completed the migration of customers' bank accounts into either deposit or investment accounts throughout the year of 2015. This was done in accordance with the definitions given under the IFSA 2013. Customers can choose to maintain their savings as deposits or convert them into investment accounts with a higher rate of return but no guarantee on the principal during the two-year transition period. Despite the choices available, after the implementation of IFSA in 2013, the offering of commodities murabahah deposits by the Islamic banking sector has grown significantly. Commodity murabahah accounted for more than 70% of IFIs' total deposits in 2017, up from 22% before the inception of IFSA in 2013. Following the deposit migration operation in 2015, IFIs reported a greater than threefold (+250%) rise in commodities murabahah-based deposit products since 2013. A further increase of more than 30% was recorded in 2017. This development demonstrated that the commodity murabahah has become an alternative product selected by IFIs to substitute investment deposits and meet IFSA standards (Shafie et al., 2020). Table 3.2 below indicates the use of the commodity murabahah in Islamic deposit products by Islamic banks in Malaysia.

Table 1: The Use of Commodity Murabahah in Islamic Deposit Products by Islamic Banks in Malaysia (Source: Product disclosure sheets of respective banks)

No.	Islamic Banks	Islamic Deposit (CASA)	Term deposit
1.	Affin Islamic Berhad	√	√
2.	Al Rajhi Bank	√	√
3.	Alliance Islamic Berhad	√	√
4.	AmBank Islami	√	√
5.	Bank Islam Malaysia Berhad	×	√
6.	Bank Muamalat Malaysia Berhad	√	√
7.	CIMB Islamic	√	√
8.	Hong Leong Islamic	√	√
9.	HSBC Amanah	×	√
10.	Kuwait Finance House	×	√
11.	Maybank Islamic Berhad	√	√
12.	MBSB Bank	√	√
13.	OCBC Al Amin	√	√
14.	Public Islamic Berhad	×	√
15.	RHB Islamic Bank	√	√
16.	Standard Chartered Saadiq	√	√

Islamic Financing Products Based on Commodity Murabahah

For financing activities, the bank provides liquidity according to the customer's needs. The bank provides financing through the mode of commodity trading and the customer pays in instalment or deferment upon the due date as the result of the credit sale by the bank (Ahmad et al., 2017).

Islamic Home Financing

Muneeza et al. (2020) stated that the commodity murabahah has now become a popular alternative to Bay' Bi thaman 'Ajil (BBA) when BIMB first introduced it to the market in 2013 as a substitute for the contentious BBA product. Commodity Murabahah has gained popularity due to its flexibility features such as simple, quick, trustworthy, and risk-free to make any transaction through the BSAS platform. Ibrahim and Sapian (2022) found that about 62.5% of Islamic banks provided Islamic house financing using the commodities murabahah in 2020. The quantity of financing for the banks that provided the commodity murabahah was rising yearly. Despite several operational, legal, and Shariah concerns, the preference for commodities murabahah was presumably due to its lower level of risk. Liquidity management is another reason why commodities murabahah is so popular. Customers in need of cash and liquidity have no other options for products. Another important factor is that it offers finance in the event of insecurity, especially working capital that complies with Shariah (Fa-Yusuf and Ndiaye, 2017).

Islamic Personal Financing

Islamic personal financing involves offering funds to people, companies, and the government by Malaysian Islamic banks which totalled RM 58 million until 2021. The elements of attitude and religious responsibilities, together with other considerations, have an important influence on people's desire to use Islamic financial products. In contrast, the pricing of Islamic personal financing has been determined to be minimal (Hasmad & Alosman, 2022). Muslims in Malaysia must have an Islamic alternative for personal loans because it has become a need, and in some cases, it might even become compulsory. The implementation bay' 'inah has faced several criticisms, prompting the establishment of the commodity murabahah (Hasmad & Alosman, 2022).

Furthermore, commodity murabahah personal financing is considered a highly profitable Islamic finance product for Islamic financial institutions. It has become one of the Islamic banking products that contributes to enhanced profitability for Islamic banks while also increasing the number of bank clients for a better customer base. Consequently, Islamic banks remained resilient, competitive and somewhat better than their conventional counterparts. This also implies that Islamic banks offer financial innovations, which are safe, secure profitable competitive when compared with their conventional counterparts (Amin et al., 2022).

Islamic Credit Cards

Islamic credit card refers to an Islamic payment instrument which indicates a line of credit or financing based on Shariah principles granted by the issuer to the user and where any amount of the credit or financing utilised by the user has not been settled in full on or before a specified date, the unsettled amount may be subjected to a lesser rebate (ibra') by the issuer (Bank Negara Malaysia, 2016). Being the most widely used payment card in Malaysia, an average of 349 million credit card transactions were made annually over the past decade (Bank Negara Malaysia, 2019). Many Islamic credit cards in Malaysia were initially based on bay' 'inah structure, however, in recent years, they have been developed into the commodity murabahah-based model. Islamic credit cards are now increasingly being issued and structured based on commodity murabahah and ujrah arrangements. Bank Negara Malaysia has specified in its credit card-i policy document that credit cards issued under the concept of commodity murabahah must conform with the commodity murabahah policy document released by Bank Negara Malaysia (Bank Negara Malaysia, 2019).

Islamic Cashline Facility

Islamic banks provide cash line facilities to allow clients to take out more money than they have in their accounts (current accounts). Making reference to the facility limit that the bank has set for the customer makes this feasible. This type of product is also known as an overdraft facility. Cash line-i facilities are often given to finance working capital, the purchase of goods or assets, or personal use. A cash line's unique characteristic is that the user can withdraw any amount as long as it stays within the facility limit that has been assigned to them (Mahmud et al., 2018).

For a certain customer, the allowed facility limit is created using the commodity murabahah. The customer's current account, which is often based on the qard contract, will hold the sale revenues. The consumer will then get payment in accordance with how they use it, whether it be through cash withdrawals, cheque issuance, or other means. As long as the customer stays within the facility limit, no limitations are placed on their use, and they are free to withdraw the proceeds at any moment in accordance with the terms and conditions they have agreed upon with the bank (Mahmud et al., 2018).

Islamic Pawnbroking

Rahn refers to a contract where a party, as pledgor (rahin) pledges an asset as collateral (marhun) to another party, a pledgee (murtahin) to fulfil an obligor's liability or obligation (marhun bih) owing to the pledgee in the event of default of such obligor (Bank Negara Malaysia, 2018).

Previously the concept of rahn in Malaysia was structured based on four Shariah contracts, they are qard, wadi'ah, rahn and ujrah. Nevertheless, the SAC at its 194th meeting resolved that the ar-rahnu product structure offered by Islamic financial institutions (IFIs) through the combination of qard (loan), rahn (pledge), wadi'ah (safekeeping) and ujrah (fee) does not fulfil the Shariah requirements in Rahn Policy Document due to the issue of inter conditionality and interdependency between the loan contract and the elements of pledge, safekeeping and fee in the product structure. It gives rise to the issues of qard jarra naf'an (a loan that benefits the lender) and bai' wa salaf (a combination of the sales contract with a loan) which are prohibited in Shariah. In the ar-rahnu structure, each contract will not take effect without the other contracts. Such structure where the safekeeping fee charged is connected to the loan provided indirectly raises the issue of qard jarra naf'. Moreover, the combination between the pledge and the loan contract in the ar-rahnu structure for the purpose of profit generation is not in line with the objective of both contracts (muqtada 'aqd) in which the former is for pledging while the latter is for charity.

Then, Bank Negara Malaysia (2020), the 198th and 199th Meeting of the Shariah Advisory Council (SAC) of BNM on 29 October and 26 November 2019 made a ruling that the tawarruq and Ar-Rahnu based product of the Ar-Rahnu structure is permissible due the specific conditions. The Shariah Advisory Council (SAC) of Bank Negara Malaysia at its 198th and 199th meetings on 29 October 2019 and 26 November 2019 has made a ruling that the structuring of an ar-rahnu product based on tawarruq and rahn is permissible subject to certain conditions.

Table 2: Summary of the Use of Commodity Murabahah in Financing Products by Islamic Banks in Malaysia (Source: Product disclosure sheets of respective banks)

No.	Islamic Banks	Personal	Home	Credit Cards	Cashlin Facility
1.	Affin Islamic Berhad	√	×	√	√
2.	Al Rajhi Bank	√	√	N/A	√

3.	Alliance Islamic Berhad	√	×	N/A	√
4.	AmBank Islamic	×	√	×	√
5.	Bank Islam Malaysia Berhad	√	√	√	√
6.	Bank Muamalat Malaysia Berhad	√	√	N/A	√
7.	CIMB Islamic	√	√	×	N/A
8.	Hong Leong Islamic	√	√	N/A	√
9.	HSBC Amanah	√	×	×	√
10.	Kuwait Finance House	√	×	N/A	√
11.	Maybank Islamic Berhad	√	√	×	√
12.	MBSB Bank	√	√	N/A	√
13.	OCBC Al Amin	N/A	×	N/A	√
14.	Public Islamic Berhad	×	×	×	N/A
15.	RHB Islamic Bank	√	√	×	N/A
16.	Standard Chartered Saadiq	√	×	N/A	N/A

Commodity Murabahah in the Islamic Interbank Money Market (IIMM)

On January 3, 1994, the Islamic Interbank Money Market (IIMM) was established in Malaysia as a short-term intermediary to provide an immediate supply of Shari'ah-compliant short-term investment opportunities. The IIMM enables Islamic banks and banks participating in the Islamic Banking Scheme (IBS) to effectively and efficiently match financing requirements (Ghazali, 2014). In the case of Islamic banks' liquidity management, Malaysia has introduced the Islamic Interbank Money Market (IIMM) as an intermediary for liquidity management and investment purposes based on the commodity murabahah principle. A similar pattern is applied in the Islamic Capital Market where the Bank acts as an agent for BNM during surplus and becomes a customer of BNM during the deficit (Ahmad et al., 2017)

Concurrently, BNM launched the Commodity Murabahah Programme (CMP) in March 2007 which helped both investment and liquidity management. It is a method for managing liquidity that distributes funds between units that are in surplus and deficit. Crude palm oil-based contracts are used as the basic idea, which is based on the commodities murabahah concept. On March 14, 2007, a competitive auction was held in IIMM using the Fully Automated System for Issuing/Tendering (FAST) for the CMP transactions with BNM (Ghazali, 2014). Even though the concept which is based on the commodity murabahah contract has long been discussed by Shariah scholars worldwide, only recently such a concept was being practically implemented. It was officially endorsed as a permissible instrument to be used in the financial market and

IIMM by the Shariah Advisory Council of the Central Bank of Malaysia on 28th July 2005. The main purpose is to offer Islamic financial institutions a new instrument for managing liquidity in the IIMM. CMP provides certainty of returns as it is undertaken based on a pre-agreed 'margin' or 'markup' from the sale and purchase of the underlying asset (Dusuki, 2008).

The role of Bursa Suq Al-Sila (BSAS) in Facilitating commodity trade

Bursa Suq Al-Sila' (BSAS) is a commodity trading platform specifically dedicated to facilitating Islamic liquidity management and financing by Islamic financial institutions (IFIs). Initiated as a national project, BSAS is the fruit of collaboration between Bank Negara Malaysia, the Securities Commission of Malaysia, Bursa Malaysia Berhad and industry players in support of an initiative by the Malaysia International Islamic Financial Centre (MIFC). The purpose of this platform is to address Islamic liquidity management challenges facing the industry worldwide. To manage the BSAS platform, a new entity called Bursa Malaysia Islamic Services Sdn. Bhd. (BMIS) was established. BMIS is a fully-owned subsidiary of Bursa Malaysia (Micheal, 2021).

Discussion

Commodity murabahah plays a pivotal role in fulfilling liquidity needs and offering financing solutions in Malaysia's Islamic financial landscape. However, its widespread adoption has brought several issues and controversies which bring about Shariah, operational and prudential implications. The practice of commodity murabahah transactions in Malaysia faces multifaceted issues, encompassing organised commodity murabahah, dual agency, commodity ownership, and commodity delivery.

To address the issues of commodity murabahah practice in the Malaysian Islamic banking system, Bank Negara Malaysia (BNM) has provided stringent policy documents and guidelines to govern and manage Islamic finance in Malaysia. It plays an essential role in ensuring Shariah compliance and regulatory requirements. These policy documents often address various issues with commodity murabahah transactions, including their structure, execution, and oversight. BNM's policy guidelines also provide guidance for achieving Shariah compliance with commodity murabahah transactions. In the policy document, the commodity murabahah is defined through the principles and criteria that must be followed by Islamic banks to be deemed Shariah-compliant. For example, in addressing the issue of dual agency, BNM has therefore put in strict requirements to comply with the adherence to rules of the dual agency practice. BNM is to conduct detailed checks at banks to ensure compliance (Bank Negara Malaysia, 2018)

Apart from stringent procedures for the proper documentation of commodity murbahah provided by BNM, Micheal (2021) emphasises that the introduction of BSAS has also facilitated better Shariah review to resolve any concerns with commodities murabahah contracts. These involve establishing proper contract sequencing, adequate delivery procedures, and explicit Shariah review and audit processes. BSAS was the first

transparent and internet-based platform in the market that specialised only in Shariah-compliant transactions (Micheal, 2021)

Conclusion And Recommendation

In conclusion, it is important to note that Malaysia has developed a robust regulatory framework that supports the practice of commodity Murabahah within the Islamic finance industry. Regulatory guidelines provided by Bank Negara Malaysia (BNM) offer clear guidelines and standards for Islamic financial institutions, ensuring compliance with Shariah principles. The endorsement of commodity Murabahah by Shariah scholars and the Shariah Advisory Council provides credibility and assurance to market participants. The Shariah-compliant nature of commodity Murabahah transactions enhances confidence among investors and customers. Malaysian Islamic financial institutions have demonstrated innovation and adaptability in structuring commodity Murabahah transactions to meet diverse financing needs. This flexibility has enabled the expansion of commodity Murabahah across various product segments, including financing, deposits, and interbank money markets.

This study recommends that a clear regulatory framework is essential to provide guidelines and standards for the practice of commodity murabahah. It also seeks to ensure compliance with Shariah principles and regulatory requirements. Besides, it is important to develop a robust market infrastructure to support the execution and settlement of commodity murabahah transactions. This includes establishing commodity trading platforms which consist of a regulatory oversight mechanism to ensure transparency and efficiency in the market. In the case of Malaysia, the BSAS plays a significant role in facilitating commodity Murabahah transactions within the Islamic finance industry. It also serves as a commodity trading platform specifically designed to address the Shariah operational issues concerning commodity murabahah.

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IS DONATION BASED CROWDFUNDING A FORM OF ISLAMIC SOCIAL FINANCE?

Muhammad Karakulah
Aishath Muneeza
School Of Graduate & Professional Studies
INCEIF University
muhammed_Karakulah@Hotmail.Com

ABSTRACT

Islamic social finance (ISF) has gained prominence in recent years as a mechanism for addressing social welfare needs within Muslim communities. While traditional isf instruments like zakat and waqf are well-established, emerging forms such as donation-based crowdfunding remains underexplored in the literature. This research investigates whether donation-based crowdfunding qualifies as an ISF instrument by examining its compatibility with Islamic principles and its potential for promoting social welfare. Through an exploration of the intersection between donation-based crowdfunding and ISF, this research uncovers several key findings. Firstly, it reveals that donation-based Islamic crowdfunding platforms adhere to shariah principles, ensuring ethical conduct and promoting social welfare. These platforms serve as channels for funding socially beneficial projects and fostering community engagement. The study also offers recommendations for policymakers, regulatory authorities, and stakeholders to recognize and enhance the role of donation-based Islamic crowdfunding as an ISF instrument. Additionally, it suggests future research directions to further advance understanding and implementation in this area. Ultimately, this research contributes to bridging the gap between traditional ISF instruments and modern fundraising mechanisms, offering insights that can inform policy, practice, and future research endeavors in Islamic social finance and philanthropy.

Keywords: Islamic social finance, donation-based crowdfunding, Shariah compliance, social welfare, Islamic principles, philanthropy, community engagement, ethical finance.

Introduction

In recent years, Islamic social finance has garnered significant attention as a mechanism for addressing social welfare needs within Muslim communities (Khan & Bhatti, 2019). Islamic social finance encompasses various instruments and mechanisms designed to mobilize funds for social welfare while adhering to Islamic principles (Zamri et al., 2020). These principles include the prohibition of interest (riba) and the promotion of social justice and equity (Hassan & Lewis, 2007). However, the literature on Islamic social finance predominantly focuses on traditional instruments such as zakat, waqf, and qard al-hasan, with limited exploration of emerging forms such as crowdfunding.

Crowdfunding, particularly donation-based crowdfunding, has gained traction as a popular method for raising funds for charitable causes and social projects (Saeed, 2019). However, it has not been widely recognized or explored within the realm of Islamic social finance. This research aims to bridge this gap by examining whether donation-based crowdfunding can be considered a form of Islamic social finance.

The research gap lies in the limited exploration of the intersection between Islamic social finance and emerging forms of fundraising, particularly donation-based crowdfunding (Visser & McIntosh, 2016). While there is extensive literature on traditional instruments of Islamic social finance, there is a noticeable dearth of scholarly work addressing the compatibility of donation-based crowdfunding with Islamic principles (Zamri et al., 2020). This gap presents an opportunity to investigate whether donation-based crowdfunding aligns with Islamic principles of economic justice, equity, and social welfare, thereby contributing to the evolving discourse on Islamic finance and philanthropy.

This research is structured into five sections. Following this introduction, section two provides an in-depth literature review, while section three presents case studies of donation based Islamic crowdfunding. Section four delves into exploring the reasons why donation-based crowdfunding can be considered within the framework of Islamic social finance. Finally, the concluding section synthesizes the findings and underscores the significance of this research in advancing our understanding of the evolving landscape of Islamic social finance and its potential intersections with modern fundraising mechanisms. The significance of this research lies in its contribution to bridging the gap between traditional Islamic finance instruments and emerging forms of fundraising, thereby offering insights that can inform both theory and practice in the realm of Islamic social finance.

Literature Review

Crowdfunding traces its roots back centuries, with historical examples such as the construction of the Statue of Liberty in the United States, funded by public contributions. However, modern crowdfunding gained momentum with the emergence of online platforms in the early 21st century (Agrawal et al., 2015). In Islamic finance, the concept of collective funding for social causes has deep historical roots, evident in practices such as waqf and mutual assistance societies (Elasrag, 2019). The fusion of modern crowdfunding principles with Islamic finance ethics gave rise to Islamic crowdfunding platforms, which adhere to Sharia principles in fundraising and investment activities (Saeed, 2019).

Crowdfunding typically falls into four categories: donation-based, reward-based, debt-based (peer-to-peer lending), and equity-based (Nesta, 2016). Each of these types of crowdfunding are explained below:

- Donation-based crowdfunding involves contributors donating money to support a cause or project without expecting any financial return. This type of

crowdfunding is often used for charitable purposes, community projects, or personal fundraising for medical expenses, education, or emergencies. Contributors donate voluntarily, driven by altruism or a desire to support causes they believe in. Platforms like GoFundMe, GlobalGiving, and Kickstarter's "Make 100" campaigns are common examples of donation-based crowdfunding.

- Reward-based crowdfunding entails contributors funding a project in exchange for non-financial rewards or incentives offered by the project creators. Project creators offer rewards such as early access to products, exclusive merchandise, or experiences to incentivize contributions. This type of crowdfunding is commonly used by entrepreneurs, artists, and creators to finance the development and launch of products or creative projects. Platforms like Kickstarter and Indiegogo are popular for reward-based crowdfunding campaigns, enabling creators to engage with their supporters and offer unique rewards.
- Debt-based crowdfunding, also known as peer-to-peer (P2P) lending, involves individuals lending money to others or businesses in exchange for repayment with interest. Borrowers request funding for various purposes, such as personal loans, business expansion, or refinancing existing debt. Investors, or lenders, provide funds to borrowers through online platforms that facilitate loan transactions and manage repayment. Interest rates and loan terms are determined based on the creditworthiness of borrowers and the risk assessment conducted by the lending platform. Examples of P2P lending platforms include LendingClub, Prosper, and Funding Circle, which connect borrowers with investors seeking to earn returns through lending.
- Equity-based crowdfunding allows investors to purchase equity or ownership stakes in businesses or projects in exchange for funding. Entrepreneurs and startups raise capital by selling shares or equity stakes to a large number of investors through online platforms. Investors become shareholders and may receive dividends or capital gains if the company grows and becomes profitable. Equity crowdfunding provides early-stage companies with access to capital and enables investors to invest in innovative ventures and potentially high-growth businesses. Platforms like Seedrs, Crowdcube, and StartEngine facilitate equity crowdfunding campaigns, enabling investors to support startups and emerging businesses while seeking potential financial returns.

Islamic donation-based crowdfunding operates within the donation-based model, where individuals contribute funds without expecting financial returns (Zamri et al., 2020). These contributions are often directed towards charitable endeavors, social projects, or community initiatives aligned with Islamic principles of social welfare (Khan & Bhatti, 2019).

Islamic crowdfunding operates on the principles of Shariah law, ensuring that investments are conducted in a manner consistent with Islamic finance ethics. Below is the modus operandi of Islamic crowdfunding (Kasri & Mustaque, 2021):

- The foremost aspect of Islamic crowdfunding is adherence to Shariah principles. This means that all investment activities must avoid prohibited elements such as

interest (riba), uncertainty (gharar), and investments in industries like alcohol, gambling, and pork.

- Similar to conventional crowdfunding, Islamic crowdfunding platforms are established to connect fund seekers (entrepreneurs or project initiators) with funders (investors). These platforms provide an online space where information about projects seeking funding can be shared with potential investors.
- Entrepreneurs or project initiators submit proposals outlining their projects' details, objectives, and funding requirements to the crowdfunding platform. These projects can range from business startups to social initiatives, provided they comply with Shariah principles.
- Investors, often referred to as funders or crowd funders, review the project proposals available on the crowdfunding platform. They select projects aligned with their investment preferences and risk tolerance levels.
- In Islamic crowdfunding, investment terms are structured to comply with Shariah law. Instead of fixed-interest contracts, profit-sharing agreements are commonly used. Investors receive a share of the project's profits based on predetermined terms, such as Mudharabah or Murabahah agreements.
- Islamic crowdfunding platforms typically have Shariah committees tasked with ensuring that all investment activities and project proposals adhere to Shariah principles. These committees conduct regular assessments and audits to maintain compliance.
- Once investors commit funds to a project, the crowdfunding platform facilitates the transfer of funds to the project initiators. Projects are then executed according to their proposed plans, with regular updates provided to investors.
- As projects generate profits, investors receive returns based on the agreed profit-sharing terms. The crowdfunding platform oversees the distribution of profits to investors in accordance with the investment agreements.
- Risk management is integral to Islamic crowdfunding. Investors share both the risks and rewards associated with projects, promoting transparency and accountability in investment activities.
- Islamic crowdfunding emphasizes social responsibility and ethical investing. Projects funded through Islamic crowdfunding often aim to create positive social impact while generating financial returns for investors.

Islamic donation-based crowdfunding platforms operate under Sharia principles, ensuring compliance with Islamic ethical standards (Saeed, 2019). Funds raised are used for charitable purposes, such as providing relief to the needy, supporting education, healthcare, or infrastructure development in Muslim communities (Zamri et al., 2020). Transactions are structured to avoid interest (riba) and adhere to principles of transparency, accountability, and social responsibility (Elasrag, 2019). Additionally, platforms often incorporate zakat, an obligatory almsgiving in Islam, to facilitate donations from those seeking to fulfill their religious obligations (Saeed, 2019). This means that any type of charity based Islamic social finance instrument like zakat, sadaqat and waqf can be used as underlying concept to attract funding for them. The modus operandi are explained below:

- Islamic donation-based crowdfunding platforms provide an online platform where individuals or organizations can create fundraising campaigns for various charitable causes. These platforms ensure that all transactions and activities adhere to Islamic principles and are Shariah-compliant. Examples of such platforms include GlobalSadaqah and LaunchGood.
- Individuals or organizations seeking financial support for charitable projects create campaigns on the crowdfunding platform. These campaigns outline the details of the project, its purpose, target amount, and how the funds will be utilized in accordance with Islamic principles. Campaign creators also provide information about the beneficiaries and the impact the project aims to achieve.
- Contributors, motivated by the desire to fulfill their religious obligations or support worthy causes, visit the crowdfunding platform and browse through the available campaigns. They can choose the campaigns they wish to support based on their interests, values, and the impact they want to make. Donors have the flexibility to donate any amount they desire, with some platforms accepting small donations as well.
- Islamic donation-based crowdfunding platforms ensure that all donations and transactions comply with Shariah principles. This includes avoiding investments in businesses involved in prohibited activities (haram), ensuring transparency in fund utilization, and adhering to ethical guidelines in fundraising practices.
- In Islamic donation-based crowdfunding, contributors donate without expecting any financial returns or rewards. Instead, they derive satisfaction from fulfilling their religious duty of giving (zakat) or engaging in voluntary charity (sadaqah). The reward for donors comes from the spiritual benefits and blessings associated with giving in Islam.
- Campaign creators are responsible for providing regular updates to donors on the progress of the project and how their contributions are being utilized. Transparency and accountability are key principles in Islamic donation-based crowdfunding, ensuring that donors have confidence in the integrity of the fundraising process and the impact of their contributions.
- Once a campaign reaches its funding goal or the designated time period expires, the crowdfunding platform facilitates the transfer of funds to the campaign creator or the designated beneficiary. Funds are distributed in accordance with the project plan and the guidelines agreed upon by the campaign creator and the platform.

Donation Based Islamic Crowdfunding Case Studies

In this section, selected case studies where donation-based Islamic crowdfunding is used are discussed.

Sadaqa House Bank Islam

Sadaqa House, initiated by Bank Islam, stands as a notable exemplar in the realm of Islamic social finance through its innovative crowdfunding platform (Bank Islam, n.d.). This case study delves into the essence of Sadaqa House, elucidating its

operational framework, impact, and significance within the landscape of charitable endeavors.

Sadaqa House serves as a conduit, uniting donors, change-makers, and beneficiaries on a common platform facilitated by Bank Islam. With meticulous governance and professional fund management, Sadaqa House ensures that donations are channeled towards impactful projects benefiting underserved communities.

Embodying the Malaysian spirit, Sadaqa House welcomes both Muslims and non-Muslims as donors and beneficiaries. Its inclusive policies reflect Bank Islam's commitment to fostering a philanthropic culture accessible to all. Transparency is paramount, with donors able to track project progress, bolstering trust and accountability.

Launched in 2018, Sadaqa House has achieved significant milestones, notably with the inception of the Sadaqa House Orphan Fund. This initiative underscores Bank Islam's dedication to nurturing sustainable livelihoods, ensuring orphans receive education up to tertiary levels, irrespective of race or religion.

As of June 2023, Sadaqa House has garnered substantial funds, with notable contributions to various charitable projects. Fund distribution underscores the platform's commitment to impactful allocation, fostering meaningful change within communities.

Sadaqa House facilitates contributions through various channels, including bank transfers, credit card redemptions, and mobile applications like Boost. Tax-deductible donations further incentivize philanthropy, promoting societal welfare while offering benefits to contributors.

As a charity crowdfunding platform, Sadaqa House distinguishes itself through its responsibility, accountability, and transparency. It offers multiple fund categories, catering to diverse donor preferences, including perpetual funds, general funds, direct funds, and wakalah zakat funds.

Sadaqa House epitomizes the convergence of technology and Shariah-compliant solutions, fostering a culture of giving while amplifying social impact. Its journey underscores the transformative potential of Islamic social finance, exemplifying how crowdfunding can be harnessed for the greater good.

GlobalSadaqah

GlobalSadaqah stands as a leading Islamic charity crowdfunding platform, leveraging technology to facilitate impactful giving and promote social welfare (GlobalSadaqah, n.d.). This case study delves into the operational framework, standards compliance, and modus operandi of GlobalSadaqah, highlighting its role in empowering charitable endeavors globally.

GlobalSadaqah collaborates with various stakeholders, including religious bodies, foundations, banks, corporates, and the public, to enhance the efficiency and impact of social finance. By matching corporate donations, CSR initiatives, and public contributions with trusted charity partners, GlobalSadaqah channels funds towards programs and campaigns benefiting underserved communities.

Committed to adhering to Islamic Digital Economy (IDE) standards, GlobalSadaqah ensures Shariah compliance in its operations. IDE standards govern businesses and companies in Malaysia, aligning with Shariah principles to uphold ethical practices in the digital realm.

GlobalSadaqah operates under the auspices of Ethis, a pioneering Islamic Fintech Enterprise dedicated to uplifting humanity through socially impactful projects. Leveraging Ethis's expertise, GlobalSadaqah empowers donors to give charity, Sadaqah, Zakat, and Waqf online, fostering a culture of compassion and generosity.

To list a campaign on the GlobalSadaqah platform, it is essential to note that campaigns are only accepted from registered NGO/company/business entities. Unfortunately, individual campaigns are not supported at this time. If you represent an NGO, company, or business, the process involves filling out two specific forms: the Project Submission Form and the Partner Page Form. These forms provide essential details about the campaign, including its background, how funds will be utilized, the impact on beneficiaries, and any long-term sustainability plans. Additionally, supplementary materials such as pictures and videos can be submitted via email to enrich the campaign narrative.

When preparing the campaign storyline, it is advisable to consider several key points. These include providing background information on the campaign or existing work, outlining how the funds will be utilized to create impact for the end beneficiaries, and articulating any long-term or sustainability plans associated with the project. By addressing these aspects, campaigners can create compelling narratives that resonate with potential donors and stakeholders.

Furthermore, as part of the listing process, GlobalSadaqah typically requires certain documentation and information for the contract. This may include the registration number of the organization, its registered address, details of the person in charge and their designation, and the company logo. These details help ensure transparency and accountability throughout the campaign listing process, fostering trust among donors and stakeholders alike.

Donors can contribute to campaigns on GlobalSadaqah's platform by selecting their preferred project and completing the donation process. With no fees charged to donors and minimal sign-up fees for NGOs, GlobalSadaqah ensures that contributions directly benefit the intended beneficiaries.

While GlobalSadaqah does not impose fees on donors, transaction fees for payment gateways vary based on the chosen method. The tax-deductible status of donations depends on the charity partner's tax exemption status, which is typically indicated on individual campaign pages.

GlobalSadaqah epitomizes the convergence of technology and compassion, offering a seamless platform for individuals and organizations to contribute towards meaningful causes. Through adherence to IDE standards, commitment to transparency, and collaboration with trusted partners, GlobalSadaqah plays a pivotal role in advancing Islamic charity crowdfunding and promoting social welfare on a global scale.

LaunchGood

LaunchGood stands as the largest fundraising platform for Muslims worldwide, facilitating impactful initiatives and campaigns that resonate with the global Ummah (LaunchGood, n.d.). With a community-driven approach, LaunchGood has become a beacon of hope, unity, and resilience, embodying the essence of collective goodness.

LaunchGood serves as a beacon of hope and empowerment for the global Ummah, facilitating impactful initiatives and campaigns that resonate with Muslims worldwide. With 76,000 organizations and communities actively raising funds, LaunchGood has facilitated a staggering $528 million in online donations. This robust network of fundraisers underscores the platform's role as a catalyst for positive change, mobilizing resources to address pressing societal needs.

Supported by 1.6 million donors spanning over 5,000 cities worldwide, LaunchGood's community is united in its commitment to fostering positive change. This diverse array of donors represents a collective effort to contribute to noble causes and make a meaningful difference in the lives of others. Through their generosity, LaunchGood empowers individuals to enact positive change and support initiatives aligned with their values and beliefs.

LaunchGood embraces unity in diversity, fostering unwavering support for families in times of tragedy and showcasing the creativity of innovative Muslims. Moreover, the platform spearheads efforts to build lasting legacies through the establishment of mosques, institutions, and Dawah initiatives worldwide. This commitment to building resilient communities and empowering individuals to make a lasting impact underscores LaunchGood's dedication to serving the global Ummah.

At the intersection of faith and technology, LaunchGood transcends geographical boundaries, connecting individuals and communities globally. By harnessing the power of digital platforms, LaunchGood exemplifies the collective heartbeat of the Ummah, uniting diverse voices and experiences in pursuit of positive change. Through its innovative approach, LaunchGood embodies the spirit of collaboration and solidarity, bridging gaps and amplifying the impact of faith-driven philanthropy on a global scale.

LaunchGood embarked on its journey of faith and impact in 2013-2014 with humble beginnings, marked by the platform's official launch and initial challenges in securing venture capital funding. However, these setbacks served as catalysts for resilience and resourcefulness, propelling LaunchGood to bootstrap its way to success and establish a solid foundation for growth.

In 2015, LaunchGood reached a pivotal moment with the introduction of the LaunchGood Fellowship, attracting top talent to join its mission. Additionally, the inception of the Ramadan Challenge empowered donors to make a global impact during the holiest month, further solidifying LaunchGood's commitment to driving positive change.

The years 2016-2017 witnessed notable achievements for LaunchGood, including winning the prestigious EFICA award and launching impactful campaigns like the Ramadan Challenge. Viral initiatives such as "Rebuild with Love" demonstrated LaunchGood's ability to mobilize support for noble causes, even in response to global crises.

From 2018 to 2022, LaunchGood expanded its reach to the UK and Malaysia, cementing its global footprint and serving as a beacon of hope in times of adversity. In the face of challenges like the Christchurch mosque attacks and the COVID-19 pandemic, LaunchGood rallied support and solidarity from donors worldwide, reaffirming its role as a force for good.

In 2023-2024, LaunchGood achieved significant milestones, including reaching 1 million donors and hosting its first global team gathering post-COVID. These accomplishments underscored LaunchGood's enduring impact and resilience, as it continues to inspire positive change and collective action among Muslims worldwide.

The LaunchGood difference lies in its dedication to providing personalized support to campaign creators, ensuring a seamless fundraising experience. With zero platform fees and a focus on community engagement, LaunchGood offers a trusted and secure space for donors to support impactful campaigns aligned with their values. Through innovative features like the Friday Givers club and fundraising challenges, LaunchGood empowers individuals to make a lasting difference in their communities, leaving a legacy of goodness for generations to come. As a testament to the transformative power of faith-driven philanthropy, LaunchGood's journey embodies the collective spirit of the Ummah, uniting individuals and communities in pursuit of a better world.

Is Donation Based Islamic Crowdfunding an Islamic Social Finance Instrument?

Islamic Social Finance (ISF) refers to the provision of liquidity and funding support, particularly to micro and small enterprises, within the Islamic finance industry (IFSB, 2023). It plays a crucial role in achieving the United Nations Sustainable Development Goals (SDGs) by combating poverty and supporting economically vulnerable projects that may be overlooked by conventional financing channels. ISF encompasses various instruments such as zakah, sadaqah, waqf, qarḍ hasan, and social finance institutions like Islamic microfinance and charitable organizations (IFSB, 2023).

The concept of ISF has evolved beyond its traditional foundations to include more complex instruments like ṣukūk, gaining momentum among stakeholders for mainstream integration. However, challenges in formulating standardized regulations persist due to the diversity of practices within ISF, posing hurdles in regulatory efforts. Additionally, the hybrid nature of ISF institutions, operating at the intersection of philanthropy and commerce, may lead to mission drift and prioritize commercialization over social welfare without clear regulations.

In conventional finance, donation-based crowdfunding is often regarded as a social finance instrument due to its focus on mobilizing funds for social causes and community projects. Through platforms like GoFundMe or Kickstarter, individuals can contribute financially to various initiatives, including charitable endeavors, creative projects, or community initiatives. This form of crowdfunding allows individuals to pool their resources to support causes they believe in, fostering a sense of collective responsibility and participation in social welfare efforts.

n Islamic finance, donation-based crowdfunding can be considered an Islamic Social Finance (ISF) instrument, aligning with the principles of Shariah-compliant finance and promoting social welfare within the Muslim community. While similar in concept to conventional crowdfunding, Islamic crowdfunding platforms ensure that all transactions adhere to Shariah principles, including the prohibition of riba (interest) and adherence to ethical and moral standards.

Through donation-based Islamic crowdfunding platforms, individuals can contribute funds towards charitable causes, humanitarian aid, educational initiatives, and community development projects while fulfilling their religious obligations such as zakat and sadaqah. These platforms provide a channel for Muslims to support initiatives that align with Islamic values and principles, thereby promoting social justice, economic empowerment, and community cohesion.

It can be said that donation-based Islamic crowdfunding serves as an important ISF instrument by mobilizing funds for socially beneficial projects while adhering to Shariah principles and promoting ethical and responsible financial practices. By facilitating broader community participation and promoting the values of compassion and generosity, Islamic crowdfunding contributes to the advancement of social welfare and sustainable development within the Muslim community and beyond. Table 1 below shows why donation based crowdfunding from conventional and Islamic perspective are considered as social finance instrument.

Table 1: why donation-based crowdfunding from conventional and Islamic perspective are considered as social finance instrument

Criteria	Conventional Finance (Non-Islamic)	Islamic Finance
Focus of Crowdfunding	Social causes, community projects, creative endeavors	Socially beneficial projects, charitable initiatives, community development
Source of Funds	Contributions from individuals, often through online platforms	Contributions from individuals adhering to Shariah principles, usually via dedicated Islamic crowdfunding platforms
Objective	Mobilizing funds for various initiatives, promoting social welfare	Adhering to Shariah principles, promoting Islamic values, and supporting socially beneficial projects
Ethical Considerations	Emphasis on transparency, accountability, and ethical conduct	Adherence to Shariah principles, avoiding riba (interest), gharar (uncertainty), and haram (forbidden) activities
Community Participation	Encourages broad participation in social causes and projects	Encourages broader participation within the Muslim community, fostering a sense of collective responsibility
Impact	Can address diverse social needs and promote positive change	Addresses social needs while aligning with Islamic values and principles

Conclusion

This research has looks into the intersection of donation-based crowdfunding and ISF, aiming to discern whether donation-based Islamic crowdfunding qualifies as an ISF instrument. Our inquiry has unveiled several noteworthy findings. Firstly, it is observed that donation-based Islamic crowdfunding platforms operate in harmony with Shariah principles, ensuring adherence to ethical and moral standards such as the prohibition of riba (interest) and the promotion of social welfare. This adherence underscores the distinctiveness of Islamic crowdfunding from its conventional counterpart and highlights its potential as an ISF instrument.

Furthermore, Islamic crowdfunding platforms serve as conduits for channeling funds toward socially beneficial projects, including charitable initiatives, community development, and humanitarian aid. By facilitating broader community participation and championing values of compassion and generosity, Islamic crowdfunding contributes to advancing social welfare within Muslim communities and beyond.

Moreover, Islamic crowdfunding platforms foster community engagement and participation by offering individuals opportunities to support causes aligned with their values and beliefs. Through transparent and accountable fundraising practices, these platforms empower donors to make meaningful contributions to projects addressing pressing societal needs.

Recognizing the significance of donation-based Islamic crowdfunding as an ISF instrument, policymakers and regulatory authorities are encouraged to consider the following recommendations. Firstly, policymakers should formally acknowledge donation-based Islamic crowdfunding as a legitimate form of ISF and integrate it into existing regulatory frameworks governing Islamic finance. This recognition would enhance transparency, accountability, and investor confidence in Islamic crowdfunding platforms. Secondly, regulatory authorities should establish clear guidelines and standards for Islamic crowdfunding platforms to ensure compliance with Shariah principles and ethical standards. Regular monitoring and oversight would help mitigate risks and safeguard the interests of investors and beneficiaries. Lastly, stakeholders, including crowdfunding platforms, investors, and beneficiaries, should receive adequate training and education on Shariah-compliant finance principles and the ethical considerations of Islamic crowdfunding. This capacity-building effort would enhance awareness, understanding, and trust in Islamic crowdfunding as a viable ISF instrument.

Looking ahead, future research in this domain could explore the following areas to further advance our understanding of donation-based Islamic crowdfunding and its role within ISF. Firstly, researchers could conduct longitudinal studies to assess the social and economic impact of donation-based Islamic crowdfunding on communities and beneficiaries. Analyzing factors influencing campaign success, donor behavior, and project outcomes would inform best practices and strategies. Secondly, cross-cultural analyses could compare and contrast donation-based crowdfunding practices across different cultural and geographical contexts. This exploration would identify commonalities, differences, and cultural nuances shaping fundraising dynamics. Lastly, investigations into emerging technologies, such as blockchain and decentralized finance (DeFi), could explore their potential applications in enhancing transparency, efficiency, and trust in Islamic crowdfunding platforms. Assessing the feasibility and scalability of integrating these technologies into existing crowdfunding models would be beneficial.

In conclusion, this research contributes to bridging the gap between traditional Islamic finance instruments and emerging forms of fundraising, particularly donation-based crowdfunding. By recognizing the role of Islamic crowdfunding as an ISF instrument, this study offers insights that can inform policy, practice, and future research in the realms of Islamic finance and philanthropy. Moreover, by promoting transparency, accountability, and ethical conduct in fundraising activities, Islamic crowdfunding has the potential to drive positive social change and foster inclusive economic development within Muslim communities and beyond.

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METODE PENGIRAAN ZAKAT EMAS PERHIASAN YANG MELEBIHI KADAR URUF: SATU PERBINCANGAN MENURUT KEUTAMAAN MAZHAB SYAFIE DAN AMALANNYA DI MALAYSIA

Mohd Azhar Bin Abdullah, Nurul Akma Binti Mohamed, Lokmal Hakim Bin Che Hassan,
Fakulti Pengajian Islam Kontemporari, Kolej Universiti Islam Antrabangsa Sultan Ismail Petra (KIAS), Malaysia
Marina Binti Muhammad Razaki, Nik Adlin Nazrin Bin Nik Mohd Adib,
Fakulti Pengurusan dan Teknologi Maklumat, Kolej Universiti Islam Antrabangsa Sultan Ismail Petra (KIAS), Malaysia
Email: dr.har68@gmail.com

Abstrak

Emas perhiasan tetap mengekalkan nilai harga, walaupun dijadikan perhiasan. Wanita memakai emas bukan sekadar kecantikan, tetapi juga sebagai aset perniagaan, masa depan dan cagaran kecemasan. Dalam ruang keharusan memakai emas perhiasan tersebut, bukan sedikit wanita yang memiliki emas perhiasan melebihi daripada kadar uruf setempat. Fuqaha berselisih pendapat terhadap hukum zakat emas perhiasan yang melebihi kadar uruf dan juga metode pengiraannya, sama ada zakatnya dikira daripada jumlah keseluruhannya atau lebihan daripada uruf. Punca kekhilafan, ketiadaan nas yang sarih berkaitan metode pengiraannya. Manakala pelaksanaannya di Malaysia, wujud ketidakseragaman antara empat belas buah negeri disebabkan bidang kuasa agama Islam di bawah negeri-negeri secara eksklusif. Empat buah negeri menggunakan metode pengiraan daripada keseluruhan berat emas perhiasan, manakala lapan negeri lagi menggunakan metode lebihan daripada nisab yang ditetapkan berdasarkan uruf. Kajian-kajian ilmiah berkaitan zakat emas perhiasan menekankan isu-isu uruf, metode pengiraan dan ketidakseragaman nisab. Mereka kurang menumpukan apakah justifasi-kasi-justifikasi kepada kedua-dua metode pengiraannya secara mendalam dan tersusun. Sehubungan itu, kajian kualitatif ini menggunakan analisis kandungan berdasarkan dokumen-dokumen bertulis, khususnya kitab-kitab turath daripada mazhab al-Shafie dan juga pandangan-pandangan sarjana tempatan. Tujuan utama kajian adalah meninjau dan memperjelaskan justifakasi-justifikasi bagi kedua-dua metode pengiraan zakat emas perhiasan. Hal ini, akan membantu pihak jabatan mufti dan majlis agama Islam negeri-negeri serta para pengkaji untuk mempertimbangkan metode pengiraan zakat emas perhiasan yang sesuai bagi negeri masing-masing.

Kata Kunci: Zakat; emas; perhiasan, metode; pengiraan; uruf.

Pendahuluan

Logam emas memiliki keunikan alami daripada Maha Pencipta, khususnya nilai harga dan perhiasan. Wanita yang tidak meminati dan memakai emas memungkinkan lunturnya sifat-sifat fitrah kewanitaan, sedangkan kaum lelaki diharamkan memakai emas atas sebab pengkhususan tersebut. Islam meluaskan rahmatnya bagi kaum wanita memakai emas daripada kepala hingga ke kaki, selagi tidak berlebihan daripada uruf setempat. Emas diukir menjadi perhiasan di anggota badan seperti cincin, gelang tangan, rantai leher, rantai pinggang, rantai kaki, subang, kalung dan pin tudung.

Dalam situasi yang sama, kajian-kajian kuantitatif menunjukkan tahap keinginan dan kemampuan berbeza-beza berdasarkan minat, kedudukan, kemampuan, tempat dan umur dan harga pasaran semasa. Kenyataan ini ditunjukkan oleh perbezaan kadar nisab zakat emas perhiasan antara 13 buah negeri di Malaysia, bermula nisab 85 gram hingga 850 gram. Ini menunjukkan, terdapat di negeri-negeri tertentu yang kelazimannya kaum wanita memiliki emas perhiasan melebihi 850 gram ke atas. Walaubagaimanapun, kecenderungan kaum wanita kepada emas simpanan seperti dinar dan jokong emas amat rendah berbanding minat kepada emas perhiasan.

Tidaklah menjadi persoalan atau kekeliruan berkaitan nisab dan kaedah pengiraan zakat emas simpanan kerana penetapan nisab 85 gram dan pengiraan menurut jumlah keseluruhan kuantiti emas simpanan telah disepakati ulama dan dilaksanakan oleh semua negeri di Malaysia secara konsisten. Hal ini bebeza dengan emas perhiasan disebabkan dua isu, kadar nisab yang tidak seragam dan kaedah pengiraan juga tidak selaras antara negeri-negeri di Malaysia. Persoalan ini masih berlanjutan dengan tiadanya jawapan yang komprehensif bagi sebab atau alasan kepada kaeadah pengiraannya.

Soroton Kajian Literatur

Kajian-kajian berkaitan emas perhiasan di Malaysia mula mendapat perhatian pada tahun 2000-an. Awalnya kajian tertumpu kepada penetapan nisab zakat emas perhiasan sebagaimana kajian di Negeri Sembilan, Pahang dan Selangor. Isu-isu kajian tertumpu kepada lima aspek, iaitu hukum, amalan, kefahaman, uruf pemilikan dan kaedah pengiraan. Hal ini berkemungkinan, majlis agama Islam di negeri-negeri dan pihak-pihak pungutan zakat memberikan perhatian serius disebabkan faktor keagamaan dan sistem pentadbiran agama di Malaysia, di samping kutipan zakat menjadi sumber utama bagi majlis agama Islam di negeri-negeri. Kajian-kajian akademik, khususnya kajian kuantitatif bagi mendapatkan kadar uruf pemakaian emas perhiasan telah dilakukan pada awal tahun 2008 di Negeri Sembilan oleh Zulkifli Mohamad al-Bakri (2008) dan negeri Pahang (PKZ Pahang, 2008). Daripada dua model kajian ini, kajian-kajian dilanjutkan di Wilayah Persekutuan dan Selangor (Ummi Farahin et. al, 2018) di negeri Kedah (Mardzelah et. al, 2021).

Kajian berkaitan kesedaran dan kepatuhan golongan wanita membayar zakat emas perhiasan di Selangor dijalankan oleh Fadilah Mat Nor, Teh Suhaila Tajuddin, Aza

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Asas Perbincangan

Maksud Emas Perhiasan

Menurut pertuturan umum, emas perhiasan dikenali juga dengan emas dipakai dan barang kemas. Istilah emas dipakai dan emas perhiasan masyhur dalam penulisan akademik, manakala barang kemas digunakan dalam pertuturan pasar. Emas perhiasan sinonim dengan al-Huliyy (الحُلِيّ) dalam istilah fiqh Islam. Selari dengan perbahasan zakat emas dan perak, fuqaha mazhab membincangkannya secara meluas sejak awal berdirinya mazhab-mazhab fiqh. Al-Hulliy diertikan sebagai logam emas yang dijadikan pakaian bagi tujuan perhiasan seperti cincin, gelang rantai dan kalung, bahkan jam emas dan kasut (Ibn Manzur, 1990; al-Nawawi, 1997; al-Mawardi, 1997; Zakaria al-Ansari, 2000).

Manakala perhiasan pula adalah sesuatu yang dijadikan hiasan bagi tujuan kecantikan (Dewan Bahasa, 2007; al-Marbauwi, 1990). Sehubungan itu, maksud umum emas perhiasan adalah barangan kemas yang diperbuat daripada logam emas, diukir dengan ukiran tertentu bagi maksud pakaian wanita dan kecantikannya. Bagi menambahkan kecantikannya dan ketahanannya, ia dihiasi juga dengan batu permata atau campuran logam-logam lain seperti perak, tembaga dan platinum.

Dalam konteks penulisan ini dikhususkan kepada emas perhiasan yang diharuskan bagi wanita menjadikannya atau mengambilnya sebagai pakaian.

Katogeri Emas Yang Dikenakan Zakat

Nilai harga dan perhiasan dalam logam emas boleh disatukan di antara kedua-duanya dan dipisahkan. Justeru, tujual asal bagi reka bentuk dan penggunaan emas perlu diberikan perhatian dalam penetapan sesuatu hukum syarak. Jumhur ulama, khususnya mazhab shafie, Hanbali, Maliki berpendapat bahawa zakat tidak diwajibkan ke atas emas perhiasan yang diharuskan bagi seorang wanita memakainya selagi mana tidak berlebih-lebihan. Di samping itu, fuqaha bersepakat zakat diwajibkan bagi penggunaan emas perhiasan yang diharamkan seperti dibuat cincin bagi lelaki atau tampalan mangkuk yang pecah disebabkan memaling tujuan yang diharuskan kepada

perkara yang diharamkan (Abu Muzaffar, 1992; al-Juzairi, 2012; al-Zuhayli, 2006; al-Mawsu'ah al-Fiqhiyyah al-Kuwaitiyyah, 2007).

Emas yang dikenakan zakat terbahagi kepada dua katogeri di bawah;

i. Emas yang disimpan

Emas yang disimpan (inventasi) bermaksud logam emas yang dijadikan sebagai simpanan atau aset sahaja seperti dinar atau jokong emas. Emas ini tidak dijadikan pakaian sama sekali. Ijmak ulama bahawa katogeri emas ini diwajibkan zakat apabila sempurna milik, cukup nisab sebanyak 20 dinar (85 gram) dan cukup haul pemilikan. Kadar zakat 2.5 peratus adalah dikira daripada keseluruhan jumlah kuantiti emas (al-Nawawi, 1997; al-Zuhayli, 2006).

ii. Emas perhiasan

Emas perhiasan mencakupi semua jenis perhiasan bagi diri seorang wanita daripada logam emas menurut uruf istilah pakaian seperti gelang, cincin, sikat rambut, beg, jam dan kasut. Al-Nawawi (1997) menukilkan;

جميعا والذهب الفضة من الحلي أنواع لبس للنساء يجوز أنه علي المسلمون أجمع

Terjemahan: Ijmak ulama bahawa harus bagi wanita memakai pelbagai perhiasan daripada semua (jenis) emas dan perak.

Al-Bughawi (1997) dan al-Mawardi (1997) menjelaskan Imam al-Shafie mempunyai dua pandangan berkaitan kewajiban berzakat ke atas emas perhiasan yang diharuskan oleh kaum wanita dijadikan pakaiannya bagi perhiasannya. Pendapat qaul qadim adalah tidak diwajibkan berzakat. Pendapat ini selari dengan pandangan sahabat seperti Ibn Umar r.a, Jabir Bin Abdullah r.a dan 'Aisyah r.a, dan pandangan ulama tabin yang terdiri daripada al-Hasan al-Basri, Sa'id al-Musyyab dan al-Sha'bi.

Hukum asal bagi emas perhiasan ke atas kaum wanita tidak dikenakan zakat berdasarkan hadis;

لاَ زَكَاةَ فِى الْحُلِيِّ.

Terjemahan: Tiada apa-apa zakat ke atas emas perhiasan

[al-Darulqutni, no. hadis: 1990; Abi Shaybah, no.hadis: 10281; al-Razzaq, no. hadith: 7053. Al-Albani menilai hadis sahih]

Al-Amidi (1984) dan al-Mawardi (1997) menukilkan perkataan Imam al-Shafie menyatakan sebab mussabab kepada pengecualian zakat emas perhiasan ialah;

البَذْلة كثياب الزكاة فيه تجب فلا نام غَيرِ مالُ الحلي زكاة

Terjemahan: Zakat emas perhiasan adalah harta yang tidak berkembang. Maka tidak diwajibkan zakat ke atasnya seperti pakain yang lusuh.

Manakala pendapat qaul jadid tidaklah dinyatakan secara sarih atau terang. Namun, penyataan Imam Shafie secara isyarat atau implisit menunjukkan diwajibkan zakat sebagaimana dipegang oleh Umar Bin al-Khattab r.a, Abdullah Bin Amr al-'Ash r.a, Ibn Abbas r.a dan Ibn Mas'ud r.a. (al-Shafie, 1973; al-Mawardi, 1997).

Analisis oleh al-Nawawi (1997) terhadap pendapat-pendapat ulama dalam mazhab Shafie adalah diwajibkan zakat bagi penggunaan barang kemas yang diharamkan daripada emas dan perak. Manakala pemakaian dan pemilikan emas perhiasan yang diharuskan adalah dikecualikan daripada zakat menurut pendapat yang kuat (asah) di sisi mazhab Shafie. Namun perlu ditegaskan, keharusan memiliki dan memakai emas perhiasan adalah tidak mutlak. Jika pemilikan emas perhiasan telah melebihi kadar uruf setempat adalah diwajibkan zakat menurut pendapat paling kuat di sisi mazhab Shafie (Zakaria al-Ansari, 2000; Abu Bakr Al-Husayniy, 1994).

Sebelum itu, Shatha al-Bakri (1997) menjelaskan maksud tahap berlebihan emas perhiasan yang diwajibkan zakat;

الاسراف بين والفرق.اه .زينة مثله يعد لا مقدار على تفعله أن المرأة حق في بالسرف المراد :ش ع وقال
ينبغي لا فيما الشئ صرف :والثاني ،ينبغي ما على زائدا ينبغي فيما الشئ صرف هو الاول أن.والتبذير

Terjemahan: Berkata 'Ali al-Shiramalisi; Maksud berlebihan (israf) bagi hak seorang wanita adalah bahawa melakukannya pada kadar yang tidak dianggap seumpamanya. Perbezaan antara berlebihan (israf) dengan pembaziran (tabzir) bahawa berlebihan ialah mengurus sesuatu yang patut baginya dengan melebihi daripada kemunasabahannya. Manakala pembaziran ialah menguruskan sesuatu yang tidak patut untuknya.

Zakaria al-Ansari (2000) menukilkan perkataan yang Ibn al-'Imad yang jelas dalam memperincikan sebab dikenakan zakat emas perhiasan yang berlebihan;

لم ما الشَبَع على وَالزِّيَادَةِ النَّفَقَةِ في الْيَسِيرِ الْإِسْرَافِ بِدَلِيلِ السَّرَفِ قَلِيلُ إبَاحَتِهِ من يَمْنَعُ لَا أَصْلُهُ أُبِيحَ ما لِأَنَّ يَحْرُمْ لم وَإِنْ السَّرَفَ لِأَنَّ لُبْسُهُ يَحْرُمْ لم وَإِنْ الزَّكَاةُ وَجَبَتْ سَرَفٍ أَدْنَى وُجِدَ مَتَى لَكِنْ بِالْبَدَنِ الْإِضْرَارِ إلَى يَئُتَهِ كَالنِّسْوَةِ كُلِّهِ ذلك في الطِّفْلَ أَنَّ وَظَاهِرٌ الزَّكَاةُ فيه تَجِبُ الْمَكْرُوهُ وَالْحُلِيُّ كُرِهَ

Terjemahan: Sesungguhnya sesuatu yang diharuskan pada asalnya tidak menegah daripada keharusannya dengan sedikit berlebihan (al-israf), dengan dalil berlebihan yang sedikit pada nafkah dan melebihi pada kenyang selagi tidak membawa kemudaratan pada badan. Namun, ketika terdapatnya tahap minimum berlebihan, maka zakat diwajibkan, meskipun memakainya tidak diharamkan. Hal ini disebabkan, walaupun berlebihan tidak diharamkan adalah makruh. Emas perhiasan yang makruh diwajibkan zakat. Apa yang zahir, kanak-kanak dalam permasalahan ini dihukumkan sama seperti wanita baligh.

Pandangan ulama kontemporari seperti al-Qardhawi (2011), al-Zuhayli (2006) menyokong Zulkilfi al-Bakri (2011) pandangan yang rajih bahawa tidak diwajibkan zakat ke atas emas perhiasan wanita dengan tertakluk kepada tiga situasi di bawah;

a) Emas perhiasan yang dimiliki dijadikan aset simpanan, bukan lagi untuk dijadikan pakaian. Maka, ia telah memaling tujuan asal emas tersebut kepada emas simpanan yang diwajibkan zakat.

b) Emas perhiasan yang dimiliki telah melebihi kadar uruf kebiasaan bagi kaum wanita ditempatnya. Lebihan kuantiti emas tersebut telah berpindah daripada wilayah yang diharuskan dengan memasuki wilayah makruh atas sifat berlebih-lebihan. Atas sebab berlebihan tersebut, diwajibkan zakat.

c) Emas digunakan bagi tujuan yang diharamkan.

Hal Ehwal Pentadbiran Zakat Perhiasan Emas Di Malaysia.

Keutamaan Mazhab Shafie Di Malaysia

Malaysia dimasyhurkan sebagai negara Islam Ahli Sunnah Wal Jamaah. Penisbahan ini diperkukuhkan melalui perundangan dan amalan secara konsisten. Perkara 3(1) Perlembagaan Persekutuan memperuntukkan Islam sebagai agama rasmi dan utama, dan Jadual 9 Senarai II pula memperuntukkan hal ehwal keagamaan secara ekslusif bagi negeri-negeri di Malaysia. Bagi memenuhi maksud-maksud Perlembagaan ini, mazhab Shafie telah dijadikan keutamaan kepada Ahli Sunnah Wal Jamaah dalam amalan rasmi di Malaysia (Muhammad Ayman & Zainul Abidin, 2019; Muhammad Rashidi & Mohd Fauzi, 2018).

Jabatan Kemajuan Islam Malaysia (JAKIM) berperanan di peringkat kebangsaan melaksanakan keputusan Majlis Kebangsaan Bagi Hal Ehwal Islam yang telah diperkenan oleh Mesyuarat Majlis Raja-raja ke 133 (khas) pada 3 Disember 1984 agar penyebaran fahaman-fahaman selain mazhab Shafi'i hendaklah dikawal bagi tujuan membendung fahaman yang boleh mengelirukan masyarakat. Dato' Dr. Zulkifly bin Muda (2019) berpendapat keputusan tersebut memacu pelaksanaannya di peringkat pemerintah dan amalan di kalangan masyarakat selain memperkukuhkan perpaduan serta perpaduan umat Islam.

Keutamaan mazhab Shafie diperuntukkan dalam kebanyakkan enakmen majlis agama Islam di negeri-negeri. Contohnya, seksyen 37, Enakmen Majlis Agama Islam dan Adat Istiadat Melayu Kelantan, no. 4/1994 memperuntukkan di bawah subtajuk rujukan yang mesti diikuti adalah bahawa semasa mengeluarkan fatwa di bawah seksyen 36, Majlis atau Jamaah Ulama' hendaklah pada lazimnya mengikut qaul muktamad Mazhab Shafie. Jika Majlis atau Jamaah Ulama' berpendapat bahawa qaul yang muktamad dari Mazhab Syafii boleh membawa kepada keadaan yang berlawanan dengan kepentingan awam, Majlis atau Jamaah Ulama' bolehlah dengan keizinan Kebawah Duli Yang Maha Mulia Al-Sultan mengikut qaul dari mana-mana Mazahab

Islam yang muktabar, kecuali dalam perkara-perkara yang bersangkutan dengan akidah, maka qaul Ahli Sunnah Wal Jamaah hendaklah diikut.

Seksyen 39, Akta Pentadbiran Undang-undang Islam (Wilayah Persekutuan) 1993 memperuntukkan bahawa fatwa hendaklah menggunakan qaul muktamad mazhab Shafie. Jika Mufti berpendapat bahawa dengan mengikut qaul muktamad mazhab Shafie akan membawa kepada keadaan yang berlawanan dengan kepentingan awam, Mufti bolehlah mengikut qaul muktamad mazhab Hanafi, Maliki dan Hanbali. Dan mufti bolehlah menyelesaikan sesuatu persoalan mengikut hematnya sendiri tanpa terikat dengan qaul muktamad daripada mana-mana mazhab yang empat itu apabila langkah sebelumnya berlawanan dengan kepentingan awam. Lebih menarik ketetapan lain diperuntukkan (Ahmad Hidayat Buang, 2004).

Adalah ditegaskan bahawa umat Islam tidak dipaksa beramal dengan mazhab Shafie secara jumud. Mereka boleh beramal dengan mana-mana mazhab lain yang disukai dengan syarat mereka tidak boleh menyalahkan orang-orang yang beramal dengan mazhab Shafie (Lukman & Nima Jahitea., 2007)

Pentadbiran Zakat di Malaysia

Urusan zakat secara tidak formal telah bermula sejak Islam mula ditadbir dalam kerajaan kesultanan Tanah Melayu dan diteruskan di zaman penjajahan. (Muhammad Hafiz dan Siti Nabilah, 2017). Selepas Malaysia merdeka, kuasa pentadbiran hal ehwal agama Islam diletakkan di bawah negeri secara ekslusif menurut Jadual 9, Senarai 2, Perlembagaan. Di bawah peruntukan ini, pihak kerajaan negeri-negeri menubuhkan pelbagai jabatan dan agensi bagi melicinkan pentadbiran agama Islam, termasuk majlis agama Islam, jabatan mufti, jabatan hal ehwal agama Islam dan mahkamah Syariah (Mahmood Zuhdi, 1997; Mahir Hujah, 2009).

Semua negeri di Malaysia menguatkuasakan pentadbiran zakat secara efisen melalui kuasa-kuasa dalam enakmen-enakmen pentadbiran agama Islam dan enakmen-enakmen jenayah syariah. Dengan maksud, kewajiban berzakat telah diperundangkan dan mana-mana orang yang tidak membayar zakat, tidak mengembalikan borang taksiran zakat, memungut zakat tanpa tauliah atau pembayaran zakat yang tidak sah adalah melakukan satu kesalahan jenayah syariah yang boleh didenda dan dipenjarakan (Muhammad Hafiz dan Siti Nabilah, 2017).

Jadual 1: Seksyen Kesalahan Zakat dan Hukuman

Negeri	Seksyen & Kesalahan	Hukuman
Negeri Sembilan	118: Gagal membayar zakat dan fitrah Memungut zakat atau fitrah tersebut tanpa tauliah	Denda tidak melebihi RM 1000.00 atau penjara selama tempoh tidak melebihi 1 tahun atau kedua-duanya.

Melaka	82: Gagal atau sengaja mungkir membayar zakat dan fitrah Memungut zakat atau fitrah tersebut tanpa tauliah	Denda tidak melebihi RM 5000.00 atau dipenjara selama tempoh tidak melebihi 36 bulan atau kedua-duanya sekali.
	83: Tidak mengembalikan borang taksiran zakat.	Denda tidak melebihi RM 3000.00 atau dipenjara selama tempoh 24 bulan atau kedua-duanya sekali
Johor	16: Enggan atau sengaja tidak membayar zakat atau fitrah	Denda tidak melebihi RM 1000.00 atau dipenjarakan selama tempoh tidak melebihi 6 bulan atau kedua-

Sumber: Muhammad Hafiz dan Siti Nabilah, 2017.

Ketidakseragaman antara negeri-negeri dalam isu penetapan kadar uruf zakat emas perhiasan dan sistem pengiraan zakatnya, bahkan kadar hukuman bagi kesalahan zakat sering kali menimbulkan kekeliruan bagi masyarakat awam (Muhammad Norshah Rosle, et. al, 2019). Justeru, cadangan penyeragaman ini sering kali dikemukakan oleh sarjana-sarjana bagi tujuan kelancaran pentadbiran negara. Malah, pelbagai usaha telah dilakukan secara berterusan dan berhikmat oleh pihak kerajaan persekutuan melalui JAKIM (Muhammad Norshah, et al. 2019).

Bagi menjelaskan lagi kerencaman isu ketidakseragaman kadar nisab zakat perhiasan dan kaedah pengiraannya, sila rujuk kepada jadual di bawah;

Jadual 2: Kadar Nisab Zakat Emas Perhiasan dan Kaedah Pengiraannya Bagi Negeri-Negeri Di Malaysia

Zon	**Negeri**	**Gram**	**Kaedah Pengiraan**
Pantai Timur	*Terengganu*	850	Lebihan Daripada Uruf
	Pahang	500	*Keseluruhan Kuantiti*
	KELANTAN	TIADA	TIADA
Utara	*Perak*	500	*Keseluruhan Kuantiti*
	Pulau Pinang	165	*Keseluruhan Kuantiti*
	Perlis	85	*Keseluruhan Kuantiti*
	Kedah	170	Lebihan Daripada Uruf
Selatan	Melaka	180	Lebihan Daripada Uruf
	Negeri Sembilan	200	Lebihan Daripada Uruf
	Johor	850	Lebihan Daripada Uruf
Barat	Selangor	800	Lebihan Daripada Uruf
	Wilayah Persekutuan	800	Lebihan Daripada Uruf

Timur	Sabah	152	Lebihan Daripada Uruf
	Sarawak	90	Lebihan Daripada Uruf

Sumber: Lembaga Zakat Selangor, Majlis Agama Islam Selangor (2024).

Berdasarkan jadual 2 di atas, ketidakseragaman kadar uruf bagi nisab emas perhiasan antara negeri-negeri sangat ketara. Perbezaannya dengan kadar terendah adalah 85 gram dan tertinggi adalah 850 gram.

Ditegaskan, pada tahun 2022 telah berlaku perubahan kadar nisab zakat emas perhiasan di beberapa buah negeri sebagaimana dilaporkan dalam jadual 2 di atas. Wilayah Persekutuan telah membuat perubahan kadar uruf daripada 150 gram kepada 800 gram Perlis daripada 170 gram kepada 85 gram, Sabah daripada 250 kepada 152 gram dan Sarawak daripada 775 gram kepada 90 gram. (PPZ, Wilayah Persekutuan 2024; Ummi Farahin, Noor Naemah, Muhammad Ikhlas Rosele (2018) dan Muhammad Norshah, Mohd Ali, Hairunnizam (2019)

Mungkin ada yang bertanya tentang nisab emas perhiasan di Perlis sangat rendah, 85 gram sahaja. Penetapan 85 gram tersebut adalah keputusan mesyuarat Jawatankuasa Fatwa Negeri Perlis kali ke-20/21/2016, bertarikh 18-19 Febuari 2016 bersetuju sebulat suara untuk mengekalkan keputusan Jawatankuasa Syariah Negeri Perlis yang telah bersidang pada 11 Mei 1988 seperti berikut:

i. Tiada perbezaan mengenai kewajipan zakat ke atas emas yang dipakai atau emas yang disimpan;
ii. Tiada istilah Had Uruf di Negeri Perlis;
iii. Semua pemilik emas yang melebihi nisab 85 gram emas dikenakan zakat.

Manakala negeri Kelantan tidak menetapkan nisab zakat emas perhiasan hingga kajian ini dijalankan. YB. SS Dato' Kaya Perba Hj. Mohamad Shukri Bin Mohamad, Mufti Kerajaan Negeri Kelantan menjelaskan (2022) perkara tersebut;

> "Kelantan belum memutuskan kewajiban zakat emas perhiasan disebabkan hal ini termasuk perkara khilaf yang diperluaskan bagi umat Islam. Namun, pihaknya menyarankan kaum wanita yang mempunyai emas perhiasan yang melebihi daripada kelazimannya agar membayar zakat emas perhiasan sebagai langkah ihtiyat (hati-hati) sahaja. Pihak kami telah mencadangkan kepada pihak Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK) bagi menjalankan kajian akademik yang komprehensif di seluruh negeri Kelantan bagi menetapkan kadar uruf bagi nisab zakatnya dalam masa terdekat"

Kenyataan SS Mufti Kelantan di atas memberikan gambaran bahawa langkah-langkah menetapkan nisab zakat perhiasan bagi negeri Kelantan telah diambil. Kadar nisabnya akan ditetapkan setelah kajian uruf pemakaian emas perhiasan golongan wanita disempurnakan.

Secara garis kasar, kadar uruf bagi nisab zakat perhiasan di Malaysia dapat dikalifikasikan kepada lima tahap di bawah;

Jadual 3: Tahap Nisab Zakat Emas Perhiasan Di Malaysia

Tahap	Jenis Tahap	Nisab	Negeri
1	Sangat Rendah	Bawah 99 gram	Perlis dan Sarawak
2	Rendah	100 – 199 gram	Pulau Pinang, Kedah, Melaka, Sabah
3	Sederhana	200 gram – 499 gram	Negeri Sembilan
4	Tinggi	500 gram – 699 gram	Pahang dan Perak.
5	Sangat Tinggi	700 gram ke atas	Terengganu, Wilayah Persekutuan, Selangor dan Johor.

Sumber: Penulis

Jadual 3 di atas menunjukkan julat yang besar antara negeri terendah iaitu Perlis dan Sarawak dengan empat negeri tertinggi 700 gram ke atas. Perbezaan besar ini banyak menimbulkan persoalan khususnya keseragaman metodologi kajian, keabsahan dapatan kajian dan gaya hidup wanita di negeri-negeri di Malaysia yang tidak melambangkan keseimbangan berkaitan emas perhiasan. Sedangkan, minat wanita terhadap emas dan kecantikan adalah fitrah dan alami. Dapatan ini sangat menarik bagi kajian lanjutan terhadap perubahan gaya hidup wanita terhadap emas perhiasan di seluruh Malaysia.

Kaedah Pengiraan Emas Perhiasan Di Malaysia

Ketidakseragaman kadar nisab zakat emas turut melibatkan ketidakseragaman kaedah pengiraannya sebagaimana penunjukan jadual 3 di atas. Sembilan buah negeri menggunakan kaedah pengiraan berdasarkan lebihan daripada jumlah gram emas perhiasan. Manakala empat buah negeri lagi memilih kaedah pengiraan daripada keseluruhan jumlah emas perhiasan yang dimiliki. Kedua-dua kaedah ini memberikan implikasi yang siginifikan kepada keupayaan golongan wanita membayar zakat tersebut dan jumlah kutipan zakat kepada pihak majlis agama Islam (Muhsin, 2014; Muhammad Norshah, et. al, 2019)

Sehubungan itu, pemilihan kaedah pengiraan zakat emas perhiasan perlu diteliti. Aspek-aspek yang dipertimbangkan tidak boleh terikat dengan pendapat-pendapat fiqh silam secara jumud, kecuali mengambil kira secara adil pertimbangan-pertimbangan maqasid Syariah yang semasa.

Kaedah Pertama: Pengiraan Keseluruhan Kuantiti Emas Perhiasan

Pendapat Mazhab Shafie Bagi Keadah Pertama

Al-Nawawi (1997), Shatha al-Bakri (1997), Zakaria al-Ansari (2000) dan Ibn Hajar al-Haithami (1993) berpendapat bahawa zakat emas perhiasan hendaklah dikira daripada jumlah keseluruhan kuantiti apabila berlakunya berlebihan. Al-Jamal (2021) telah menukilkan pendapat-pendapat ini yang dimuktamadkan dalam mazhab Shafie sebagaimana berikut;

وَفِي ، السَّرَفِ فِي الزَّكَاةُ عَلَيْهَا فَيَجِبُ ر م شَرْحِ فِي كَمَا فِيهِ كَالْمُبَالَغَةِ عَلَيْهَا مُحَرَّمٌ السَّرَفِ أَصْلَ أَنَّ الْمُعْتَمَدُ فَقَطْ الزِّيَادَةِ فِي لَا فِيهِ بَالَغَتْ أَوْ أَسْرَفَتْ الَّذِي الْحُلِيِّ جَمِيعِ فِي الزَّكَاةُ وَتَجِبُ الْمُبَالَغَةِ

Terjemahan: Pendapat yang muktamad sesungguhnya bagi asal berlebihan adalah haram sebagaimana melampau padanya seperti perkataan bagi al-Sham al-Ramli bagi Syarah al-Minhaj. Maka zakat wajib ke atasnya disebabkan berlebihan dan melampau. Zakat wajib ke atas semua (kuantiti) emas perhiasan yang berlebihan atau melampau, bukan pada bahagian lebihan sahaja.

Malah, al-Sharawani dan al-'Ibadi (2020) menegaskan bahawa;

أمّا الزكاةُ فتَجبُ بأدْنَى سَرَف

Terjemahan: Adapun zakat, maka wajib zakat daripada serendah-rendah nilai yang berlebihan

Kenyataan di atas menjelaskan pendapat mazhab Shafie mewajibkan zakat emas perhiasan di atas sifat berlebihan, walaupun hanya lebih satu gram. Kaedah pengiraannya hendaklah dikira berdasarkan jumlah keseluruhan kuantiti emas perhiasan. Bahagian emas perhiasan yang diharuskan telah dimasukkan atau dicampur ke dalam bahagian yang makruh secara bersama berdasarkan dua sebab di bawah;

(a). Berlebihan (israf) sesuatu yang diharamkan atau makruh. Kesannya semua emas perhiasan dirangkumkan menjadikan satu bahagian sahaja bagi zakat.

(b). Unsur berlebihan tersebut diqiyaskan kepada emas yang dijadikan perkakas seperti dijadikan tampalan bagi bekas yang pecah, maka wajid dizakatkan walaupun emas tersebut sedikit.

Cara Pengiraan Bagi Kaedah Pertama

[Berat Emas Perhiasan x Per Gram Harga Emas Semasa x 2.5% = Jumlah Zakat Emas Perhiasan]

Kaedah ini lebih mudah berbanding kaedah pertama dan diamalkan empat (4) buah negeri sahaja, iaitu Pahang, Perlis, Pulau Pinang dan Perak. Kaedah ini mengambil kira keseluruhan berat gram emas perhiasan per gram dengan didarabkan harga emas

semasa dan didarabkan dengan 2.5%. Maka, jumlah zakatnya adalah daripada keseluruhan.

Sebagai contoh pengiraan sebagai seorang wanita yang memiliki 700 gram emas pada 30 Disember 2023 adalah;

700 gram emas perhiasan x RM307 (nilai per gram emas semasa) = RM214,900 x 2.5% = RM5,372.5 (jumlah zakat)

Berdasarkan kajian komparatif antara Kaedah Pertama dengan Kaedah Kedua yang diberikan contoh di atas menunjukkan perbezaan yang signifikan dengan nilai perbezaan sebanyak RM3,837.5. Hal ini tentunya memberikan kesan-kesan yang berangkai, terutama kepada individu pembayar zakat, sekaligus kepada pihak pemungut zakat.

Kaedah Kedua: Pengiraan Lebihan Daripada Kuantiti Emas Perhiasan

Pendapat Mazhab Shafie Bagi Kaedah Kedua

Pendapat kedua bagi mazhab Shafie adalah zakat emas perhiasan dikira daripada lebihan uruf yang telah ditetapkan. Pendapat ini diisyaratkan dengan wujudnya kekhilafan ulama tatkala mereka menggunakan istilah "muktamad" dan "apa yang zahir". Al-Ramli (2003) berkata;

مَعًا ذَلِكَ لُبْسِ فِي وَيَأْتِي ، الْوَاحِدِ بَعْدَ مِنْهَا الْوَاحِدُ لِتُلْبَسَ وَخَلَاخِيلَ أَسَاوِرَ اتِّخَاذُ يَحْرُمُ لَا كَمَا يَحْرُمُ لَا وَالثَّانِي فِي الزَّكَاةُ فَتَجِبُ يُكْرَهُ لَكِنَّهُ يَحْرُمُ فَلَا تُبَالِغْ وَلَمْ أَسْرَفَتْ لَوْ مَا بِالْمُبَالَغَةِ وَخَرَجَ ، لِلرَّجُلِ الْخَوَاتِيمِ فِي مَرَّ مَا الزَّائِدِ الْقَدْرِ فِي لَا يَظْهَرُ فِيمَا جَمِيعِهِ

Terjemahan: Pendapat kedua: Tidak haram seperti tidak haram memakai gelang tangan dan gelang kaki yang dipakai satu demi satu. Akan tiba berkaitan memakai demikian itu secara bersama-sama pada cincin-cincin lelaki. Tidak termasuk dengan melampau sesuatu yang berlebihan yang tidak melampau, maka tidak haram, tetapi makruh dan wajib zakat ke atas semua kuantiti emas perhiasan menurut apa yang zahir, bukan dikenakan ke atas lebihan sahaja.

Shafiqah (2024) menjelaskan maksud kenyataan al-Ramli di atas;

ليس هذا ولكن ,المباح استعمال في الغلو عن التكفير من كنوع الجميع في الزكاة أوجب أنه الرملي قول من يبدو في الزكاة وتجب خلخال أو كأسورة ,آحاده تتعدد لا الذي بالمصوغ خاصية هي وإنما ،الحلي جميع في عامًا المعتاد الحد عن الزائد الحد

Terjemahan: Nampak daripada perkataan al-Ramli bahawa zakat wajib ke atas semua emas perhiasan seperti sebahagian daripada (bentuk) kaffarah ke atas melampau pemakaian emas yang diharuskan. Namun, hal ini tidak umum kepada semua emas

jenis perhiasan. Sesungguhnya ia khusus kepada emas yang dijadikan perhiasan yang tidak mempunyai pelbagai jenisnya seperti gelang tangan atau gelang kaki. Maka wajib zakat ke atas lebihan daripada uruf.

Berdasarkan huraian di atas, zakat dikenakan ke atas lebihan uruf sahaja, bukannya ke atas semua jumlah kuantiti emas perhiasan. Pendapat ini dibentuk di atas dua sebab di bawah;

i. Emas perhiasan telah dibentuk menjadi unit-unit yang tersendiri, seperti cincin, gelang dan rantai. Unit-unit ini seolah-olah berpisah antara satu sama lain.
ii. Tujuan diwajibkan zakat ke atas lebihan sebagai kaffarah bagi penyucian. Justeru, memadailah dengan dikenakan ke atas lebihan sahaja, tanpa melibatkan keseluruhannya.

Dua sebab syarie di atas memiliki asas yang kuat juga menyebabkan sembilan buah negeri di Malaysia memilih kaedah pengiraan ini. Sebab di atas belum mengambil kira kesan jangka pendek dan panjang kepada kecenderungan wanita dan perniagaan emas perhiasan.

Cara dan Contoh Pengiraan Bagi Kaedah Kedua

[Berat Emas Perhiasan – Uruf x Per Gram Harga Emas Semasa x 2.5% = Jumlah Zakat emas perhiasan]

Sistem pengiraan di atas adalah berasaskan lebihan uruf daripada kuantiti berat gram emas perhiasan. Pengiraannya tidak mencampurkan semua sekali jumlah gram emas perhiasan. Kaedah di atas telah dipratikkan oleh sembilan (9) buah negeri di Malaysia.

Operasi pengiraan bermula dengan mengambil kira jumlah keseluruhan emas perhiasan, kemudian ditolak kadar nisab zakat emas perhiasan yang telah ditetapkan. Hasil penolakan dua jumlah tersebut merupakan jumlah sebenar yang perlu dizakatkan (Jumlah Lebihan). Langkah kedua, Jumlah Lebihan tersebut didarabkan dengan harga emas semasa per gram dan didarabkan pula dengan 2.5% bagi mengetahui jumlah hakiki zakat emas perhiasan yang perlu dibayar (Muhammad Norshah, 2018).

Sebagai contoh pengiraan berdasarkan nilai RM307 bagi satu gram emas pada tarikh 30 Disember 2023 bagi seorang wanita yang memiiliki 700 gram emas perhiasan, pengiraannya seperti di bawah;

700 Gram (Berat emas perhiasan) – 500 gram (kadar uruf) = 200 gram (Jumlah selepas ditolak)

200 gram x RM 307 (nilai per gram semasa) = RM 61,400 x 2.5% = RM 1,535 (Jumlah zakat yang perlu dibayar)

Kesimpulan

Ketidakseragamaan nisab dan kaedah pengiraan zakat emas perhiasan amat sukar untuk diseragamkan bagi semua negeri. Hakikat ini suatu realiti atas dua sebab. Pertama, sistem pentadbiran agama Islam di bawah negeri secara ekslusif menurut kuasa Jadual 9, Senarai II, Perlembagaan. Kedua, Setiap negeri memiliki uruf yang berbeza. Dalam pada itu, umat Islam telah menerima ketidakseragaman ini sebagai suatu keunikan. Dengan itu, mereka memiliki ruang-ruang, bahkan pilihan untuk menunaikan kewajiban zakat emas perhiasan. Tidaklah menjadi isu yang perlu dipersoalkan bagi wanita di negeri Kelantan jika tidak pernah membayar zakat emas perhiasan disebabkan tiada nisab yang difatwakan atau diwartakan. Mereka boleh berpegang dengan pendapat qadim bahawa tiada zakat bagi emas perhiasan.

Bagi wanita yang memiliki dua pemukiman serentak, iaitu dilahirkan di Pulau Pinang yang menggunakan Kaedah Pertama, tetapi berkerja di Kedah yang menggunakan Kaedah Kedua, bermungkinan besar akan membayar zakat emasnya di negeri yang menggunakan Kaedah Pertama dengan hanya membayar sebanyak RM1,535 sahaja. Jika dia membayar di negeri yang menggunakan Keadah Kedua, dia mesti menambah lagi sebanyak RM3,837.5 disebabkan zakatnya adalah RM5,372.5. Ketika ada pertembungan, dalam keadaan yang sama terdapat beberapa pilihan yang lebih mudah dan ringan, pastilah seseorang akan memilih yang lebih mudah dan murah baginya kerana kedua-duanya mencapai tujuan menunaikan kewajibannya berzakat. Persoalan yang perlu difikirkan secara kognitif daripada perbezaan harga tersebut adalah isu kecelaruan emosi pembayar zakat yang merasakan dirinya tidak diadili dengan saksama hanya semata-mata perbezaan bidang kuasa negeri-negeri. Di samping itu, memperlihatkan negeri-negeri di Malaysia sukar mencapai kesepakatan demi kepentingan umat Islam di Malaysia secara keseluruhannya. Isu-isu ini terus berlanjutan hingga kini dengan saranan demi saranan oleh pakar-pakar agar penyamarataan kadar nisab emas perhiasan ini direalisasikan. Walaupun kadar nisab yang satu standard sukar disepakati, tetapi sekurang-kurangnya julat perbezaan antara negeri-negeri tidak terlalu besar.

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IMPORTANCE OF FINANCIAL LITERACY AND AWARENESS IN MICROTAKAFUL: IMPLICATIONS FOR INDUSTRY STAKEHOLDERS

Kartina Md Ariffin
Salina Kassim
Nur Harena Redzuan
Habeebullah Zakariyah
IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia
kmdariff76@gmail.com*

Abstract

A take-up rate of microtakaful products depends very much on the awareness, knowledge and understanding of the targeted customer segment. Malaysian microtakaful programmes target the Bottom 40% (B40) of society with literacy and awareness. Due of the poor penetration rate of microtakaful goods despite the takaful operators' vast product offerings and government subsidies, industry stakeholders have criticised the B40 for failing to understand the necessity for financial protection. While research have supported this emphasis, a question remains if B40 literacy and awareness is the primary cause for poor microtakaful penetration in this group. This study uses purposive sampling to interview takaful operators, Islamic finance training institutes, Shariah committees, and State Islamic Religious Councils to gain insight into the takaful industry and their institutions' B40 assistance. For microtakaful initiatives to succeed, the literacy and awareness programme must include takaful operators, the regulator, and the State Islamic Religious Councils.

Keywords: Microtakaful, financial literacy and awareness, B40, regulator, industry stakeholders

Introduction

Since Bank Negara Malaysia (BNM) issued its Microinsurance and Microtakaful Discussion Paper in 2016 (BNM, 2016), the takaful industry in Malaysia began a rigorous move towards financial inclusion via offering a wide range of microtakaful products to targeted segments of the society. One such initiative was Perlindungan Tenang (PT) microtakaful products which guideline was officially issued in 2021 for the takaful operators to abide by the requirements to create microtakaful products which are affordable, accessible, having good value, along with its client-friendly features (i.e., easy to understand and purchase, and clear nomination and claiming process (BNM, 2021). The statistics reported by Malaysian Takaful Association (MTA) indicated an increase in participation of microtakaful products via Perlindungan Tenang (Malaysian Takaful Association, 2021) ; this however is not as encouraging as it should be given that

only 293,946 individuals from among the 7.28 million B40 population (Bernama, 2016) participated in this programme.

Several factors have been identified as the reason for the low take-up rate in PT microtakaful products (Md Ariffin, Kassim, Redzuan, & Zakariyah, 2023). Despite being offered at a highly subsidized rate by the government, low participation in the PT microtakaful product was mainly attributed by the lack of awareness by the B40 of the need for financial protection, let alone the awareness of availability of such subsidized products offered by the takaful industry. The B40 residing in the rural areas with limited internet access have less exposure to the various initiatives done by the takaful operators in collaboration with the government agencies compared to the B40 living in urban areas. The mechanism by which PT microtakaful products were offered also did not make it easier for the B40 to know which product suits their needs since they are required to participate online by clicking onto the respective takaful operators' website for product knowledge. Furthermore, the misconception that microtakaful is similar to microinsurance has led the B40 to further shy away from this noble intention for financial inclusion. The B40 still believes that the only difference between microtakaful and microinsurance is in the way the products are marketed, and that they are differentiated by their seemingly sophisticated Arabic name (Mohd Salleh & Padzim, 2018). Awareness, is hence still identified as the main hindrance for the low participation of microtakaful products, similar with the findings made by Mohd Rom, Abdul Rahman & Md Hassan (2012).

This paper aims to understand in more detail on the issue of literacy and awareness

among the B40, by conducting qualitative research method through interviews with key industry stakeholders, to identify which perspectives of literacy and awareness that need to be scrutinized further to improve the penetration rate of the microtakaful participation by the B40.

Literature Review

Defining Financial Literacy

Malaysia defines financial literacy as "the level of awareness, knowledge and skills of an individual to manage their finances and guide sound financial behaviour" (Paul & Ong, 2020). This involves the ability of the individual to comprehend financial products, institutions and concepts which indirectly translates to his ability to being aware of his own financial condition and needs. Malaysians younger generation are among the ones with low financial literacy which contributes to early bankruptcies, whilst the elder generation faces retirement challenges (Mohd Aziz & Kassim, 2020). The BNM established Financial Education Network (FEN) on 15 November 2016 with the intention "to increase the impact of financial education initiatives and identify new opportunities for improving financial literacy among the Malaysian public through greater alignment, closer collaboration and a strong focus on impact assessments" (BNM, 2016). The objective of FEN is to elevate the financial literacy among its citizens of all

economic status. Subsequently in 2018, the Financial Capability and Inclusion Demand Side Survey 2018 (FCI Survey 2018) uncovered that the level of knowledge, saving and budgeting, readiness for unexpected life events, as well as planning for retirement of overall Malaysians need to be enhanced (FEN, 2019). The survey results subsequently fronted the articulation of National Strategy for Financial Literacy (2019-2023) in 2019 to improve these highlighted areas. This goal was further strengthened in Strategic Thrusts 2 of Bank Negara Malaysia's Financial Sector Blueprint 2022-2026. Under this second thrust, the aim is to "elevate the financial well-being of households and businesses" by improving the financial literacy level of all income levels in Malaysia.

Financial Literacy Initiatives in Malaysia

Nationwide financial literacy initiatives have since been initiated to achieve the goals of the National Strategy for Financial Literacy (2019-2023). FEN has to date conducted over 40 financial literacy programmes since its inception (Yin, 2020), some of the initiatives have been summarized in Table 1 shown below:

Table 1: Initiatives of Financial Education Network (FEN)

Initiatives	Topics
FEN Joint Discussion Room	Financial Literacy for All Manage with AKPK (Counseling & Credit Management Agency) Smart Money for Tomorrow Finances and Mental Wellbeing Post-Retirement Financial Position Avoid Becoming a Victim of Financial Fraud Wrong Investment leads to Loss of Money
Financial Awareness During Movement Control Order (MCO)	"Let's go digital in financial matters for your safety and health" "Loan repayment deferment is automatic. No middleman/agent required" "Watch out for scammers' tactics such as government aid & incentive scheme fraud, collection of COVID-19 donations, phishing scam, mask scam" "Use electronic payments – e-wallets, contactless cards, e-remittances and online payments" "Make sure your bank account is not used by other people" "Make sure your personal banking information is not disclosed to anyone" MyDuitStory Campaign 1 April 2020 – 30 June 2020
Financial Carnival by BNM	Perlis, 28 – 29 September 2019 Sandakan, 12 – 13 October 2019

Investment Education by Pemodalan Nasional Berhad (PNB)	Invest wisely – Maximize ASB Dividends with the Power of Compounding How Trust Shares Can Help You?
Financial Education by Employees Provident Fund (EPF)	Moratorium money Is there a need to withdraw i-Lestari money?

Source: (FEN, n.d.)

The insurance and takaful industry have also answered the call by FEN to include financial literacy in their operation. FWD Takaful and Prudential Assurance Malaysia Berhad (PAMB) are two of the many partners of FEN from the insurance/takaful industry to provide financial literacy programme. FWD Takaful in collaboration with Arus Education Sdn Bhd, also known as Arus Academy, makes financial literacy accessible for students, teachers and parents through its 'Fun(d) for Life" digital platform (FWD, 2020). Their literacy programme includes games and puzzles for younger children, infographic for teenagers, activity guides for parents as well as lesson plans for teachers. PAMB on the other hand provides classroom- based and structured-training programmes for students and teachers through its Cha Ching and Duit Right literacy programme (Segaran, 2021). PAMB also provides skills and competencies enhancement programme through its PRUKasih Entrepreneurship Programme, which is in line with the initiative of the Ministry of Entrepreneur Development to provide one million of small and medium entrepreneurs (SMEs) between 2021-2026 (Segaran, 2021).

To track the outcome of these initiatives, further enquiry into the statistics collated by Malaysian Takaful Association (MTA)'s 2021 Annual Report revealed the following numbers as shown in Table 2 with regards to the participation of microtakaful products by the B40 group.

Table 2 Perlindungan Tenang Performance 2018 – 2021

No	Perlindungan Tenang	Products Sold via Online (5)				Product Sold Over the Counter (OTC) (2)			
		2018	2019	2020	As at Dec 2021	2018	2019	2020	As at Dec 2021
1	Number of certificates issued	71	38	541	290,869	3,443	6,330	8,910	3,077
2	Total Collected Contribution (RM)	7,761	2,839	14,541	17,304,805	8,443	553,965	703,500	268,135
3	Total Annualized Contribution (RM)	8,116	3,811	58,903	17,846,400	545,240	553,965	703,500	314,455
4	Total Sum Covered (RM)	2,995,000	1,245,000	14,265,000	2,598,850,800	129,491,000	131,036,000	184,256,394	140,924,200
5	Percentage of overall certificate issued under perlindungan tenang (Online vs OTC)	%	1%	6%	99%	99%	99%	94%	1%

Source: Malaysia Takaful Association (2021)

There was an increase of participation in PT products by the B40 from year 2018 to 2021. The number of online participations rose from 1% in 2018 to 99% in 2021. The rise in online participation is a result of the promotion made specifically on PT products in BNM Karnival Kewangan conducted in many states such as Kelantan, Terengganu, Melaka, Perlis and Sandakan (MTA, 2019) This signified an improvement in the awareness level of the B40 of this subsidized product which can easily be participated through respective takaful operators' website. Unfortunately, the total certificates issued during this period for both online and over-the-counter participation is 293,946 which is way below the total household number of B40 which is 7,280,340 million (Bernama, 2016). This raises questions as to whether the literacy and awareness programme conducted thus far have been customized or have taken into consideration the different demographic, cultural and geographical differences between the B40 of different states?

Methodology

This study embarks on qualitative research method by utilizing face to face interviews. The justification for this is three-fold, (i) the nascent stage of the microtakaful practices in Malaysia which make quantitative data collection challenging, (ii) the different comprehension of microtakaful and B40 of the selected respondents necessitate the need to meet the experts personally, and most importantly, (iii) the vast experiences of the respondents is best captured through purposive interviews in order to avoid simplified understanding of the subject of the research. Prior to conducting the interviews, the study establishes a preliminary understanding on financial literacy and awareness by scrutinizing secondary data sources (articles in journals, conference proceedings, takaful industry reports, book chapters, news sources, as well as BNM guidelines and reports as well as international standards issued by Islamic Financial Services Board (IFSB). Subsequently, purposive sampling was used to identify the interviewees based on their experiences in the topic of study. Nine (9) respondents with the following background were selected:

Table 0: Respondents for the Interview Sessions

#	Institution	Code	Designation
1	Training Institute	A1	CEO
2	Waqf Institution	B1	Former CEO
3	TO 1	C1	Shariah Committee
4	TO 2	C2	Shariah Committee
5	TO 3	C3	Shariah Committee
6	TO 4	C4	Head, Strategy
7	TO 5	C5	Head, CSR
8	TO 6	C6	Head, Risk Management
9	TO 7	C7	Head, Shariah

At the beginning of the study, the sample size of nine (9) respondents was not predetermined. However, only one waqf institution in one state expressed willingness to participate after multiple attempts were made to contact the SIRCs of numerous states with the specific subject on literacy and awareness of the B40. As for the training institute, only one respondent was requested because there is only one Islamic banking and finance training institute in Malaysia. Additionally, an unsuccessful attempt was made to speak with Bank Negara Malaysia. Since the ideal sample size for a qualitative study is always up for debate (Mason, 2010), this research used every resource available and managed to find seven (7) more respondents among the TOs with a variety of backgrounds. The Shariah Committee members of the TOs' insight was sought to ensure all areas concerning literacy and awareness of the B40 did not miss key Shariah-compliant elements. The remaining four TO (4) respondents were involved heavily with microtakaful initiatives of their respective institutions.

The interview sessions were conducted, audio-recorded and transcribed by the researcher, with the consent of the respondents. The raw data obtained from the transcripts was inserted into Atlas.TI for ease of data analysis process. Deductive codes were established from the literature review, followed by creation of inductive codes from the primary data collected from the interviews. Categories and themes were subsequently generated to identify key findings from the data, which will be elaborated in the following section.

Findings And Discussions

The respondents were presented with the findings from literature review and were also informed that despite the numerous efforts given by the industry stakeholders, microtakaful participation among the B40 has yet to reach its intended outcome. While all the respondents still feel that literacy and awareness of the B40 on the importance of microtakaful is the main contributor to the low penetration, they collectively agree that certain aspects need to change for these initiatives to be effective.

An insightful opening view was provided by the CEO of the training institute, who feels that the whole industry may have wrongly prioritized their literacy and awareness agenda. As he personally puts it:

"Before we think about the kind of literacy programme for the B40, we need to change the mindset of the private sector. B40 is about 'not having enough'. In the 70s, not enough is probably from the perspective of agriculture not producing enough, or there is not enough technology to produce rubber. But now the B40 may have a stable source of income, but because of the cost of living, they do not have enough. For me, the issue of not having enough will always be there. Partly because in life, the want for more will always be there. For the B40, their wants are just basic necessities. They may have the knowledge on financial literacy, but they may not know how to use that knowledge." A1

His statement became the overarching statement that encapsulate the overall view of other respondents. It brought about the necessity to look at literacy and awareness from two (2) perspectives. The first perspective is on the B40's financial literacy and awareness needs. The second perspective is on the industry's own literacy and awareness level on B40's demographic, cultural and geographical differences. This paper shall focus on the latter since the former has been written and researched at length by many literatures. The analysis shall be divided into three separate sections of literacy and awareness needs for (i) takaful operators, (ii) Bank Negara Malaysia and (iii) SIRCs.

Literacy and Awareness for Takaful Operators

Takaful Operators are the key players in the microtakaful initiatives given that the product features and product pricing are approved by the TOs' respective appointed actuary. These key roles played by them however does not indicate their understanding of the basic needs of the B40. The respondents unanimously agree that takaful operators should not focus on microtakaful needs of the B40. Looking at priorities of needs, the B40 will be more concerned about basic necessities such as food and shelter, as indicated by the respondents:

"What is important for the B40 people first? Food and shelter are their priorities. Insurance or takaful will be the last in their minds from the list of important items for them". C6

"My view is, we should not focus on (microtakaful) products". A1

"B40's focus is on survival only. If we were to talk about takaful to them, it is not their priority." C1

The question hence arose as to the type of products or services that should be catered to meet the needs of the B40. A respondent who used to work for a non-government organisation (NGO) mentioned that this question can only be answered if the takaful operators have a concrete understanding of the targeted B40. She drew attention to the differences between the personnel of NGOs and the employees of a takaful operators. Her observation cited that with the NGOs, the personnel have stronger bonds with the B40 since they are personally involved in all the activities organized for the B40.

Whereas her working experience with her current employer, a takaful operator, observes that connection with the B40 is seen to be superficial since the activities are overrated in media and social media, with minimal interaction between the takaful operator's personnel and the B40. She personally feels that this should be changed in order to bridge the gap between the B40 and the takaful operators. The takaful operators should aim to elevate their knowledge of the B40.

When asked for their suggestions on the type of literacy and awareness programme for the takaful operators, the respondents feel that the takaful operators should aim to understand the B40 education background, their information accessibility constraints based on geographical dispersion, as well as their segment under the B40 classification, i.e. on whether they fall under B1, B2, B3 or B4 category of the B40. Profiling of the B40 may be done through data obtained from the Department of Statistics Malaysia (DOSM). Profiling of this nature is crucial for the takaful operators since B1 residing in Wilayah Persekutuan Kuala Lumpur may have more financial exposure as compared to the B1 residing in Sabah. Similarly, B4 who is constrained by technological advancement may have less motivation to search for information as compared to B4 with 5G internet speed. This understanding of the B40 challenges will enable the takaful operators to customize their products and services better for each of the respective B1, B2, B3 and B4 of the B40 nationwide. Once a matrix is created to put in place the needs of B40 based on different regions and different educational background, only then will the types of products and services to be offered be easily matched against the distinct needs of the B40.

One Shariah Committee respondent indicated that the takaful operators should also be exposed to the operational knowledge of handling zakat and waqf money if these two Islamic social finance instruments were to be used to fund for the microtakaful contribution of the B40. She indicated that for collaboration to work between the takaful operators and the SIRCs, the takaful operators should have a good grasp of the kind of contracts that need to be put in place if zakat or waqf were to be used as microtakaful contribution. As she rightly mentioned,

> "Because this zakat cannot be lumped together with other money. It cannot be mixed with normal charity money, or waqf. And the recipients have to be carefully selected. So, this product has to be a special product specific for the fakir miskin. Even then the money cannot comingle with other sources of fund." C2

Her views were echoed by another Shariah Committee member of a takaful operator who mentioned the technical aspect of waqf and zakat, and the importance of understanding the Shariah specifications for these contracts:

"When you waqf your money, the seed money should not be depleted. So the money will always be there. The RM100,000 that you waqf cannot be touched. The investment income can be used for contribution. But for zakat, if you receive RM100,000, you have to give out RM100,000. Perhaps, they put a time frame for utilization of the RM100,000. Say, within 5 months, we pay out zakat worth RM50,000. And the remaining RM50,000

we will make sure we pay it all out before end of the year. Perhaps they put a condition on it. Even then who will monitor it? Hence the zakat money is an extremely challenging element to be used to microtakaful contribution because it is difficult to monitor." C3

While generalizing that the entire B40 community requires improved literacy and awareness programme is true to a certain extent, to assume that the same programme module is applicable across all B1, B2, B3 and B4 categories of the B40 is too simplistic. The takaful operators need to equally make an attempt to understand the B40 better, uplift their knowledge on Islamic social finance instruments and the Shariah requirements behind these instruments. It may hold true that the B40 needs literacy and awareness in order to increase the microtakaful penetration rate, but it does not make them the only segment that requires expansion of knowledge to support the increase in the penetration rate of microtakaful.

Literacy and Awareness for Bank Negara Malaysia (BNM)

In its exposure draft on Licensing and Regulatory Framework for Digital Insurers and Takaful Operators Exposure Draft, BNM provided guidance to the applicants on the need to serve the served and the underserved, to provide competitive offerings and to enhance consumer experience (FMT, 2022). One respondent, while applauding BNM's efforts to rope the B40 into digitalization, stated the following based on her own personal experience assisting a family member from the B40 to participate in a microtakaful coverage online:

> "Regulators talk from the theoretical perspective. I know their roles are to nudge people. For example, the digital bank matters. The ideal sounds good, to reach out to provide financing facilities to the poor. But in terms of reaching out to the underserved market, the issue is these are people who still prefer to have human touch to explain to them how to fill up the form, what to fill in, and what to do. The digital platform is good for the well-to-do but not for the underserved. For example, a tailor, she still needs to attend talks provided by MARA the funder, to attend trainings etc. You know they want funding, and the only way for them to apply is to approach a person to ask questions on how to fill up the form and what to do to get the loan approved etc. Digital platform will not work for the poor. She might even get help from someone else since she is not well-versed with the digital platform." C4

Other respondents shared the same view that while digitalization brings the nation to an advanced level, the process should be done in phases rather than abruptly. They feel that the regulator needs to be cautious about the B40's receptiveness towards any new change imposed on the industry. What the regulator feels appropriate should be backed up by evidences of actual understanding on the needs of the B40 and the practicality of change on the part of the industry.

Giving his view along the same line, one respondent criticised that while BNM is superior in supervising and regulating the financial industry, the regulator may lack hands-on experience in dealing with the B40. As he enthusiastically opined on the

nudge by the regulator to produce microtakaful products via Perlindungan Tenang guideline:

"Quite frankly, does BNM think about the long term implications of the products that they asked the TOs to do? I don't know who in BNM. But it must have been triggered by someone. I don't blame BNM because they are the regulators. At the end of the day, it falls back to the cost of producing new products. It is too costly for the TOs. The Perlindungan Tenang products are just good to show to the public that we have it. But whether it reaches the objectives, it is a totally different story." C7

The respondents feel that for BNM to truly understand the needs of the B40, they may need to first unlearn the deep rooted industry assumptions on the literacy and awareness level of the B40. As reiterated by the respondent from the training institute:

"In KL, we have B40. You will be surprised to know that they have basic university degree. The industry currently assumes that the B40 does not know anything about financial literacy, when in actual fact they may know a lot. Our literacy rate is high. They have access to information, they watch tv, they may even use touch screen handphones. Literacy is not the main problem. These people know what is going on." A1

This unlearning process is needed in order to appropriately segregate the needs of the B40 based on their geographical and demographic dispersion of the various categories of the B40. As shared by a Shariah Committee on her experience in teaching university students, her perception of teaching has changed over the years as she gets closer to the B40 students:

"Over the years of my teaching experience. At initial stage, we are excited to teach. We want to transfer all knowledge. But throughout time, we realize that even if you teach one item and that is the only item that they absorb, that is enough for the educators. For the awareness, do not aim to teach the B40 everything. Even if they change just one habit, it is enough." C3

On the types of literacy and awareness programme that should be crafted for BNM, the respondents indicated the same suggestions as the ones highlighted for the takaful operators. While the respondents emphasized the need for BNM to be proportionately involved in the microtakaful initiatives, for the purpose of ensuring financial stability of the TOs specifically and financial industry collectively, they feel that instead of focusing on producing products and services that the B40 needs, BNM may need exposure on the B40 lifestyle, their preferences, their educational background, their geographical dispersion and technological constraints. This information will enable BNM to regulate and supervise the industry better in providing products and services to the B40. BNM needs to take a step back, go into the field, mingle with the B40, and start to understand the B40 through personal interaction with them the way NGOs do. Given their regulatory and supervisory roles over the takaful industry, BNM may even lead the construction of B40 database, through collaboration with the government agencies as well as the takaful operators.

Financial Literacy and Awareness for State Islamic Religious Councils (SIRCs)

Previous literature discuss on SIRCs' important role in microtakaful given the Islamic social instruments such as waqf and zakat are seen to be the most suitable sources of contribution to provide microtakaful coverage for the B40 (Kassim, 2013; Hasim, 2014; Mohamad, Zainal Abidin, & Zulkepli, 2019; Kamal, Sulaiman, & Mohamad, 2020). For this to materialize however, a collaboration will need to be established between the TOs and the SIRCs. A respondent however, expressed his concerns over the financial knowledge of the personnel from SIRCs. He feels that the senior management level of the SIRCs are made up of personnel with minimal knowledge on Islamic finance industry. He shared his takaful operator's attempt to collaborate with a waqf expert:

> "He was known to be the waqf expert but when he spoke, you know his knowledge is only theoretical. He lives with his own theory. When we bring our proposal, he couldn't understand and he didn't try to even understand. There was no attempt to tweak the arrangement." C7

He further reiterated that collaboration with any of the SIRCs should be initiated with literacy and awareness programme for the SIRCs personnel. While he expressed his optimism that the SIRCs will eventually not resist Islamic finance knowledge, citing Selangor and Wilayah's welcoming response for collaboration, an effort should be made by the takaful industry to craft literacy and awareness programme for the SIRCs. His view was supported by another respondent who had extensive experience in dealing with the SIRCs:

> "Because the ones who lead our SIRCs, they do not have financial background. Whatever that is happening in the Islamic financial institutions are way far off from their background. We should provide them with basic knowledge on Islamic financial institutions first, only then it will be easy for them to make decisions." B1

A respondent who is a Shariah Committee member of a takaful operator shared her experience in dealing with several SIRCS:

> "Based on my experience meeting with the state government, there is always a lack of misunderstanding on their part. When we presented something, they either did not understand or did not want to understand or perhaps there is regulatory challenge in their own respective states. At times, they show the resistance at the first meeting itself because there is this perception that takaful wishes to just obtain profit. But the major hindrance is the regulatory challenge. As you may be aware of, up until now we have issue with waqf sukuk. Certain states exhibit less resistance such as Selangor, WP, Johor, Kedah, and Perlis. They are more open compared to states like Kelantan and Terengganu. These two states have their own perception of takaful. As for Melaka, I am not sure." C1

She emphasised that if the SIRCs knowledge on microtakaful in specific, or Islamic finance in general could be enhanced through a proper literacy and awareness programme, any collaboration initiatives for financial inclusion programme will face less resistance from the SIRCs. She does not deny that the regulatory requirements which requires waqf and zakat to be overseen independently by each SIRC is the main reason

for the delay of collaboration, but she feels that if knowledge on Islamic finance is spread among the SIRCs, the process of acquiring consensus will take a shorter time as compared to the process that is faced by the existing collaboration:

> "You need to understand that even if the state government is agreeable to this idea, the process takes a very long time to be approved. Example is the sukuk waqf which was proposed before Covid-19, until now it has yet to be approved. The problem with regulation is, each state requires approval of the sultans. That is the problem in Malaysia, religious affairs are the affairs of the states, as stipulated in our Federal Constitution. If I wish to contribution RM10,000 waqf into the microtakaful fund, to allow this microtakaful model to undertake the responsibility to manage this fund still requires approval from respective state because cash waqf falls under the authority of the state government." C1

These findings indicate the need for these stakeholders to realign their understanding of the needs of the B40 based on actual priority of needs of the B40. Although previous literatures have indicated that lack of awareness of the B40 is the main hindrance for growth in microtakaful penetration rate, a little adjustment by all the mentioned stakeholders will help boost the numbers.

The next question subsequently ensued, who will be serve as the training provider for the takaful operators, to ensure conflict of interest among the takaful operators is eliminated? A nationwide awareness programme for the takaful operators may be conducted by the industry's training institute, as agreed by the CEO himself.

> "We can create certain kind of programme for awareness purposes." A1

Conclusion and Recommendation

Based on the semi-structured interviews with the selected respondents, it may be concluded that oversimplification may have been done by the industry stakeholders namely the takaful operators, BNM the regulator and the SIRCs in assuming that literacy and awareness of the B40 should be the main focus, in order to increase the penetration rate for microtakaful participation. While increasing the B40 knowledge is crucial, augmenting the understanding of the takaful operators, the BNM and the SIRCs on the demographic, cultural and geographical dispersion of each of the B1, B2, B3 and B4 will enable the takaful operators to better understand the needs of each of these respective group of the B40 and subsequently customizing the right products and services to match the disparate group in different jurisdictions.

Similarly, thorough understanding of the B40 will enable the regulator, i.e. BNM to plan the phases for inclusion of the B40 into the financial system. Issuance of the guidelines and supervisory direction should take into consideration of the B40's receptiveness towards change, and their ability to understand the financial products and services, and mostly their willingness to embrace and put in practice the financial knowledge in their daily lives.

While it was highlighted that Federal Constitution is the reason for each state's unique authority over how waqf and zakat will be managed by the SIRCs, this should not prevent knowledge sharing to be conducted at each state's SIRC for them to be exposed to the Islamic financial services industry. The respondents have indicated the strong resistance among certain states' SIRCs to absorb the simplest knowledge of Islamic finance, the literacy and awareness programme should hence be introduced and conducted rigorously with the purpose of bridging the gap of knowledge among the Sircs.

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CHALLENGES AND OPPORTUNITIES OF ISLAMIC FINANCE IN FOSTERING INCLUSIVE AND SUSTAINABLE GROWTH: A BIBLIOMETRIC AND CONTENT ANALYSIS

Hengchao Zhang[a]
Rafia Afrozb[b]
Riasat Amin Imonb[b]
Kinan Salima[a]
[a]School of Graduate and Professional Studies, INCEIF University, Malaysia.
[b]Department of Economics, Faculty of Economics and Management Sciences, International Islamic University Malaysia.
zhang@inceif.edu.my

Introduction

The Islamic Finance (IF) industry has experienced rapid growth over the last two decades. Despite the recent economic turbulences stemming from a series of economic uncertainties, including the 2019 COVID-19 pandemic and the 2021 Russian-Ukraine war, IF overcame the negative macroeconomic fundamentals and achieved impressive growth in 2022. According to the Islamic Finance Development Indicator (IFDI) 2023, the global IF assets grew 11% in 2022, compared to 17% in 2021, and reached a market valuation of $ 4.5 trillion. Moreover, it is forecasted to reach a total asset valuation of $6.7 trillion by 2027. IF's consistent expansion can be credited to its stable financial positions, relatively higher yield, supportive regulatory authorities, and increased demands from clients and investors (ICD-LSEG, 2023).

Classical economic schools, for instance, Schumpeter (1911), McKinnon (1973) and Levine (1999) believe that the development of the financial industry (also known as financial development, or FD in short) is crucial for the advancement of economic growth. According to Turégano & Herrero (2018), FD can be measured from two dimensions: a) financial deepening, which is typically proxied by the size of the financial system, and b) financial inclusion, which indicates the access to the use of financial services. Schumpeter & Backhaus (2003) attribute the positive effect of FD to technological innovations, where FD enables sufficient funds to be allocated to firms that are most productive in utilising resources for producing outputs. Patrick (1966) further explained the positive finance-growth nexus from supply-pull and demand-push factors.

The supply-full force refers to the early stage of an economy's development trajectory, where the increased accumulation of savings and investments symbolizes the advancement of a financial system. In turn, it enables the expansion of economic capacity and promotes economic growth. Thus, it is also known as the supply-lead financial

development (Bist, 2018). As the economy develops towards industrialized, a more efficient financial market becomes crucial to provide financial resources to fuel the fast growth of the economy (Levine, 1999). Furthermore, this process is also known as the phenomenon of demand-following financial development (Bist, 2018).

Despite increased national income and enhanced economic prosperity, economic growth also brings about negative consequences for society. Income inequality and environmental degradation are the two most crucial drawbacks. The nexus relationship between economic growth and environmental quality can be explained by Environmental Kuznet Curve (EKC) theory. Expanding upon the theoretical framework of the EKC proposed by Kuznets (1955), Grossman & Krueger (1995) put forth the EKC hypothesis that there is an inverted-U shape relationship between economic growth and environmental degradation. Initially, the scale effect dominates as an economy is in the pre-industrial stage. In particular, Jiang et al. (2009) explain that further output increment requires increased usage of energy and natural resources. The increased carbon emissions and industrial waste worsen the environmental quality. This trend is reversed after the economy becomes industrialized, commonly known as the turning point of EKC (Katsoulakos et al., 2016).

Following the turning point, individuals gradually shift their consumption preference towards improvements in environmental quality and production methods from energy-intensive to technology-intensive. The shift of consumption preference as well as production method reflect the surge of composition effect. Furthermore, these preference shifts necessitate industries to develop environmentally friendly technologies and adopt more effective abatement procedures to preserve the environment along its development. And this process is commonly known as the technology effect. As Jiang et al. (2009) explain, economic growth becomes favourable for environmental quality after the combination of composition and technological effects outweigh its scale effect.

In his attempt to explain the association between economic growth and income inequality, Kuznets (1955) attributed the phenomenon of long-lasting income inequality and the widening income gap to two major driving factors: a) concentration of savings in higher-income groups, where the concentration of an increasing proportion of income-yielding assets in the hands of the upper groups will bring about more income for these groups and their descendants; b) industrial structure of the income distribution, where industrialized work generally yield higher income for urban population than that of agricultural work for rural population. Moreover, along with the increased industrialization and urbanization process, the increased proportion of the urban population and the enhanced productivity per capita in the industrialized sector further enlarge the income inequality gap. Finally, Kuznets (1955) added that the positive growth-income inequality nexus is more pronounced among underdeveloped countries than developed countries, mainly because the share of the elite minority groups has a substantial relative income excess than those below the top.

In another attempt, Rubin and Segal (2015) explained the economic growth-income inequality nexus based on two hypotheses: a) wealth and b) performance-based

compensation. As high-income earners usually have a large amount of wealth, wealth-derived income tends to increase more than labour income along economic growth. As a result, the more developed an economy, the higher income inequality becomes. The second hypothesis posits that since performance-based compensation schemes (e.g., bonuses, stock and option grants) constitute an essential component of high-income workers' remuneration, the labour income of the top-income groups will be more sensitive to growth than that of low-income groups. And the difference in income-growth sensitivity in turn contributes to the widening income inequality along the growth trajectory of the economy.

Acknowledged the adverse effects of economic growth on environmental quality and income inequality, recently, an increasing number of research have been dedicated to examining the potential role of financial development in fostering an environmentally sustainable and socially inclusive growth path. In general, extant studies have provided mixed results on the effect of FD on sustainable and inclusive growth (SIG). For instance, Dada et al. (2022) found that FD yields mixed effects on environmental quality via income, production, and technology effects. The study explains that an efficient and robust financial system, through enhanced credit availability, enables lower-income groups to access financial resources. Hence, it would induce increased consumption and production, eventually promoting long-term economic growth. The increased access to funds also allows companies to invest in energy-saving and environment-friendly technologies, contributing to environmental sustainability (Agyeman et al., 2023; Fu & Zhu, 2023; K. Q. Zhang et al., 2022).

Conversely, underdeveloped financial sectors may direct credits to non-environmentally friendly activities, fuelling business investments and consumer demands for energy-intensive commodities (Abbasi & Riaz, 2016). Additionally, it will further constrain the lower-income households to access financial services, resulting in even lower incomes and a widening income gap compared with the higher-income households (Turégano & Herrero, 2018). Consequently, economies with lower FD are expected to experience escalated environmental degradation (Khan, 2019) and worsen income inequality (Omar & Inaba, 2020).

The mixed evidence on the effect of FD underscores the need for further research to explore alternative mechanisms that allow economies to undergo sustainable and inclusive economic growth (Dada et al., 2022). A natural question is whether Islamic finance development (IFD), a value-based financing mechanism established on the foundation of upholding Maqasid Al-shariah, could be an effective financial solution to achieve sustainable and inclusive growth. Ahmed et al. (2015) explain that Maqasid Al-Shariah underscores the promotion of economic and social justice while preserving the human rights, dignity, health, and intergenerational wealth of the society, and the alignment of IF with Maqasid Al-Shariah shall preserve the ecological equilibrium and social equality. It is an integral aspect of the divine objectives outlined in the Shariah (Obaidullah, 2017). The distinctive attributes of IF render it well-suited for advancing sustainable and inclusive growth, aligning seamlessly with the broader

global mandate of establishing a financial system that prioritizes income equity and environmental quality (Ahmed et al., 2015).

As the world strives to attain sustainable development goals (SDGs) by 2030, an increasing number of studies have delved into the effects of IFD on sustainable and inclusive growth (SIG). Past research has yet to reach a consensus on the significance and direction of IFD on SIG. For instance, Al-Silefanee et al. (2022) examined the IFD-environmental quality nexus in 36 OIC countries, and the study found a U-shaped link between the IFD and environmental quality. In another study, Iskandar et al. (2020) examined the dynamic correlation between IFD and CO2 emissions in Indonesia, but the study observed an insignificant association between IFD and CO2 emissions. In a more recent study, Setiawati & Salsabila (2023) examined the effects of the IFD on CO2 emissions for twelve selected Organization of Islamic Cooperation (OIC) countries, and the analysis indicates a substantial positive relationship between IFD and CO2 emissions. While on the role of IFD in promoting inclusive growth, Salman (2021) believes that the redistributive function of Islamic finance institutions, like Waqf, Sadaqah, and Zakat, can effectively reallocate wealth from the rich to the deserving people. Surprisingly, past empirical evidence has generally agreed on the positive role of IFD in inclusive growth. For instance, Widodo (2019) revealed that Islamic microfinance institutions (like Zakat) and Islamic banking have significantly reduced income inequality in Indonesia. Furthermore, Mohamad et al. (2020) added that Islamic banking and finance have significantly suppressed income inequality problems among the sampled 24 OIC countries. In another study, Banna & Alam (2020) analyzed 153 Islamic banks in 32 countries, and the improved financial inclusion via Islamic banks has significantly increased the banking sector's efficiency, thereby advancing inclusive growth.

Owing to the promising benefits of IFD in fostering sustainable and inclusive growth (SIG), a growing volume of research has been dedicated to reviewing the IFD-sustainability nexus (Rusydiana et al., 2022; Harahap et al., 2023; Lanzara, 2021). Indeed, these past systematic studies have shed some light on the association and current research landscape between IF and sustainability. However, none have specifically examined the role of IFD in attaining SIG, a pivotal component for progressing towards achieving the overarching SDGs by 2030 (UNDP, 2017). More importantly, studies have yet to provide a comprehensive overview of the opportunities and challenges of IFD in fostering the SIG.

Having acknowledged the potential of IF in achieving SIG and the increased research interest in the subject over the last two decades, conducting a bibliometric study on the IFD-SIG nexus becomes crucial to provide a comprehensive overview of the extant scientific output on the research domain. Thus, our bibliometric study addresses two main objectives. First, it seeks to offer a systematic and quantitative insight into the extant scientific outputs of the IFD-SIG nexus. Second, it attempts to provide a structured overview of the opportunities and obstacles of IF to effectively contribute to realizing sustainable and inclusive growth. These objectives are achieved by applying

bibliometric and content analyses on the extant literature retrieved from the Scopus database.

This paper is organized into four parts, aside from the earlier introductory part. First, the methodology section discusses the research method and procedures employed. Next, the results and discussion section provides detailed elaborations on the bibliometric and content analysis findings. Finally, the paper concludes with policy implications and future research directions.

Methodology and Data

This research utilizes the approach of Goyal & Kumar (2021) to extensively examine previous literature on the intersection of Islamic finance development and sustainable and inclusive growth (IFD-SIG). The methodology combines bibliometric and content analyses to provide a more in-depth understanding of the IFD-SIG relationship. The bibliometric analysis employs a set of quantitative techniques to study the relevant bibliographic data and determine the performance of IFD-SIG research and the evolution of the conceptual structure of the research topic. The content analysis uses a qualitative approach to synthesize findings from existing research, highlighting the challenges and opportunities associated with applying Islamic finance to advance sustainable and inclusive growth.

The bibliometric method, initially proposed by Pritchard (1969), is a means of exploring and understanding the interconnectedness of scholarly articles through their citation networks. Over the past decade, this approach has been increasingly applied to research in Islamic banking and finance. For example, Ikra et al. (2021) revealed the conceptual structure of extant Islamic banking efficiency research and suggested future research directions. Ismail and Aisyah (2022) evaluated the current status of Islamic social finance research, and Hassan et al. (2022) examined the development of Islamic Fintech research and explored future research avenues. More recently, Mi'raj and Ulev (2024) explored research trends in the Islamic economics and finance domain.

Our bibliometric analysis is expected to provide insight into the scholarly output of IF-SIG research and facilitate the exploration of the intellectual structure of the field. Specifically, we have developed a five-step procedure based on Aria and Cuccurullo (2017) and Goyal and Kumar (2021) to perform the bibliometric analysis. These steps and their respective descriptions are listed below:

1. Study design: Define research questions and select appropriate bibliometric methods to address them.
2. Data consolidation: Retrieve relevant scholarly works from a selected database, filter out irrelevant studies, and consolidate bibliometric data from the retained research.
3. Data analysis: Apply various bibliometric techniques to answer research questions.

4. Data visualization: Select suitable software to generate visual representations of the findings derived in step 3.
5. Interpretation: Analyze and explain the analysis results.

Study Design

Our study is centered on scholarly publications between 2011 and 2024, given the newness of the research domain. The fundamental objective of this research is to uncover the scientific output's performance and the intellectual structure of IFD-SIG nexus research. We aim to provide answers to the following research questions:

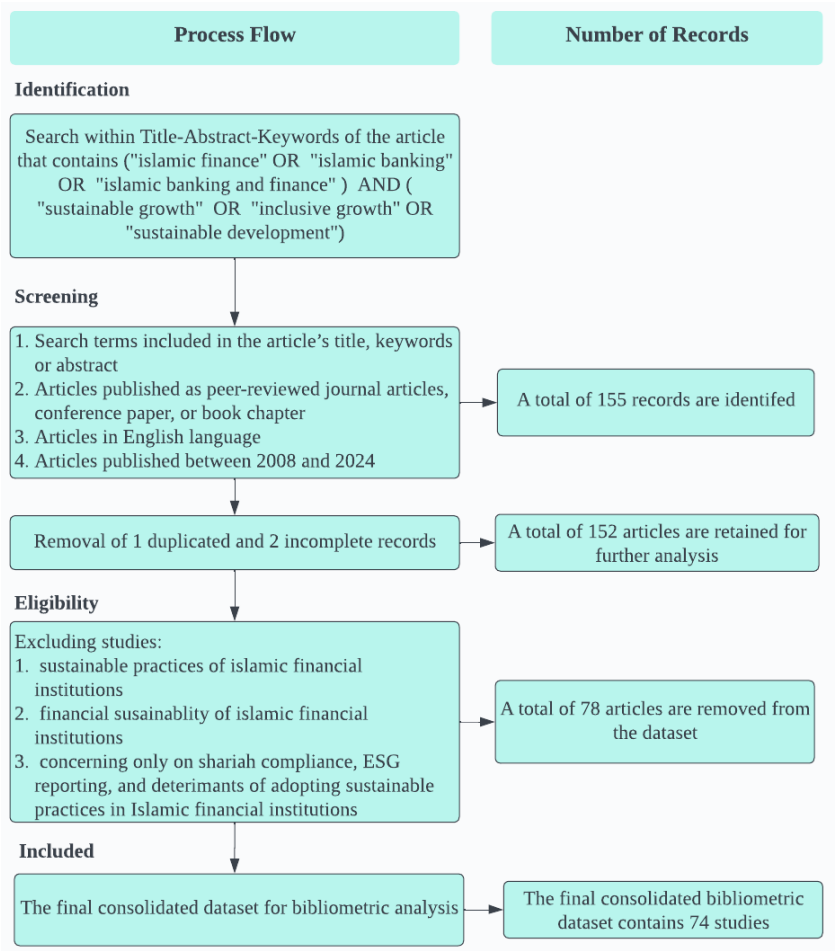
1. How have the subject's publications and citations developed between 2011 and 2024?
2. Who are the most productive authors and countries?
3. What are the leading publication avenues and most cited articles?
4. What patterns of collaboration exist among contributing countries?
5. What is the conceptual structure of the research domain and its future research directions?

Data consolidation

In February 2024, a comprehensive search was conducted in the Scopus database to gather scholarly works focused on the correlation between Islamic Finance Development (IFD) and Sustainable and Inclusive Growth (SIG). The Scopus database was chosen as the source for collecting bibliometric information due to several reasons. Firstly, it was found to have a vast range of research content, and its stringent quality control process made it a dependable source for large-scale bibliometric analyses, as noted by Baas et al. (2020). Secondly, the operational functions of the Scopus database, such as information on authors, their affiliations, and publication years, were sophisticated, enabling the sorting of documents based on various criteria and enriching the insights derived from bibliometric analysis, as suggested by Sweileh (2018). Thirdly, the performance metrics of scientific outputs and their impact were comparable between Scopus and Web of Science (WoS), as reported by Archambault et al. (2009). Lastly, the Scopus database was a single unified platform that offered convenient and accessible content, making it an ideal choice for evaluative and review-oriented research, as noted by Pranckutė (2021)

To ensure the bibliometric data collected is dependable, we followed PRISMA's guidelines for article searching and filtering (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines when performing article searching and filtering. A modified PRISMA flowchart for this study, which was utilized by Gazali & Saad (2023) and Moher et al. (2009), is presented in Figure 1 below.

Figure 1: Workflow of data search and screening for bibliometric analysis



We began with identifying relevant articles by using specific keywords frequently found in extant IFD-SIG studies, such as "Islamic finance", "Islamic banking", "Islamic banking and finance", "sustainable growth", "sustainable development", "inclusive growth", along with logical operators such as "AND" and "OR". These terms were used to refine the search based on information contained in the articles' titles, abstracts, and author keywords.

The research was then screened, imposing several restrictions, including the types of documents (e.g., journal, conference papers, and book of chapter), the year of publication between 2008 and 2024, and English as the language used in writing. Subsequently, we removed three unusable entries, including one duplicate and two incomplete entries. The resulting dataset, which contains 152 articles, is then exported into CSV format for subsequent analysis.

A rigorous review was then performed to refine the dataset and exclude articles irrelevant to IFD-SIG research. These excluded entries either discuss sustainable practices of Islamic financial institutions (IFIs), the financial sustainability of IFIs, or studies concerning merely shariah compliance, ESG reporting, and determinants of sustainable practices in IFIs. This exclusion process involves a close examination of titles and abstracts when the relevancy of the study is still uncertain. Ultimately, the final dataset for our study was reduced to 78 articles.

Data analysis and visualization

This research employed two primary methods to examine the consolidated bibliometric data: a) performance analysis and b) network analysis. According to Donthu et al. (2021), performance analysis evaluates the scholarly impact within a research domain using various metrics, such as the total number of publications and citations per article. In contrast, network analysis illustrates the connections among different research constituents, including authors, institutions, countries, and keywords in a particular research field. Network analysis relies on techniques such as co-citation analysis, co-authorship analysis, and co-word analysis (Donthu et al., 2021). By utilizing these techniques along with network analysis methods, such as clustering (e.g., bibliographic coupling) and visualization (e.g., temporal overlaying analysis), it can effectively highlight both the bibliometric trend and intellectual structure of the research field (Aria & Cuccurullo, 2017).

Table 2 provides a comprehensive breakdown of the data analysis conducted in this study. It links each analysis technique to the data and tool to address the research questions. Specifically, our bibliometric analysis utilized the Bibliometrix package in R to untangle research constituents' performance trajectories. Additionally, we employed VOSviewer, a visualization software for networking analysis, to illustrate interconnections within the scholarly landscape of IFD-SIG research. This combined approach ensures a thorough and visually appealing exploration of the sampled bibliometric data in this research field.

Table 2. Bibliometric analysis methods and tools

Method	Analysis Tool	Addressed Questions
Descriptive Analysis	R's Bibliometrix package	RQ1: research development trends between 2008-2024
Performance analysis	R's Bibliometrix package	RQ2 and RQ3: performance of research constituents (e.g., authors, institutions, countries, articles, and citations).
Keywords analysis	R's Bibliometrix package	RQ3: main research themes
Citation Analysis	VOSviewer	RQ3: the influential studies and publication avenues in this field

Collaboration analysis	R's Bibliometrix package	RQ4: the network of research co-authorship
Bibliographic Coupling	VOSviewer	RQ5: the intellectual structure of IFD-SIG research
Co-word analysis	VOSviewer	RQ5: the research trends for IFD-SIG

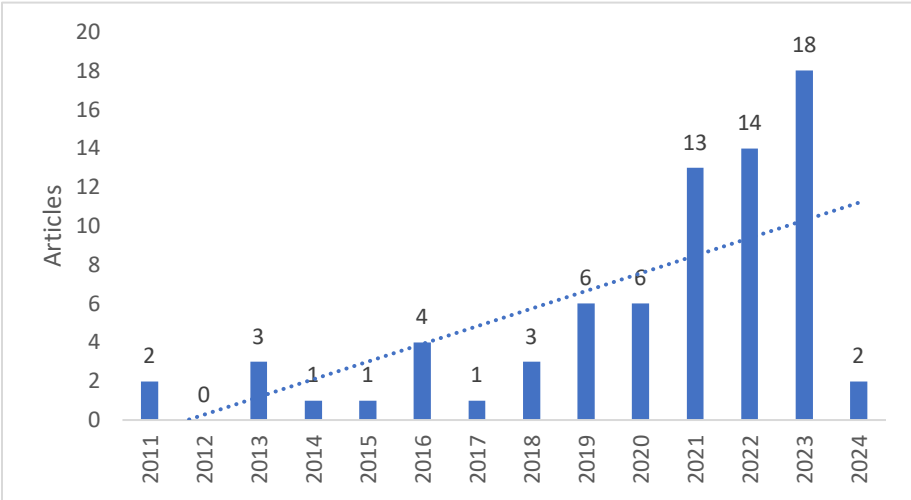
Analysis Results

Trajectories of research development

Table 3 below presents a comprehensive overview of the consolidated bibliometric data on IFD-SIG research. The table depicts three noticeable trajectories:

a) The scientific output in this field has experienced notable growth, averaging an annual increase of 20% from 2011 to 2024. This trend is depicted in Figure 2, shown below. As the figure demonstrates, research interest in IFD-SIG began to intensify in 2020. This upward trend mirrors OIC countries' increased commitment to aligning Islamic financial institutions' business and operation with sustainable development goals (SDGs). For instance, Bank Negara Malaysia introduced a Value-based intermediation (VBI) framework in 2017 to guide the Islamic finance industry to deliver intermediation functions that embody the Maqasid al-Shariah through practices, conducts and offerings that generate positive and sustainable impact on the economy, community and environment. Furthermore, the Islamic Development Bank (IsDB) developed the sustainable finance framework in 2019 to guide the issuance of green and sustainability sukuk.

Figure 2: Annual Scientific Production



b) Most scholarly output, accounting for 55% of the sampled studies, is published as journal articles. The predominance of publication mode in academic journals can be

partially attributed to the establishment of a substantial knowledge foundation in Islamic finance (A. Khan et al., 2021) and the in-depth exploration of the IFD-SIG field (Alshater et al., 2021).

c) Collaborative efforts among researchers in this field are predominately observed domestically. An average of 2.42 co-authors per document signifies a moderate tendency towards research collaboration in this domain. However, only about 24.2% of these collaborative studies involve international co-authorships, indicating that most co-authorships exhibit domestic collaborated characteristics.

d) The sampled research is perceived as of good quality. The average number of citations per document is 4.38, suggesting that each research output in the sample collection has been cited 4.38 times on average. Since citation counts are widely used to measure the quality and influence of research works (Teplitskiy et al., 2022), these average citation statistics further confirm the high perceived quality of the IFD-SIG research.

Table 3. Summary information on the bibliometric data

Category	Description	Results
Main Information	Timespan	2011:2024
	Journal Articles	41
	Conference Paper	9
	Book chapter	24
	Average citations per document	4.38
	Total number of references	2700
	Total number of author keywords	203
Author	Number of authors	162
	Authors of single-authored docs	19
	Co-Authors per document	2.42
	International co-authorships %	24.32

Performance Analysis

Our performance analysis unveils descriptive statistics regarding the contributions of various research constituents in IFD-SIG research. Specifically, our study adopts the approach of Donthu et al. (2021), focusing on the performance of authors, contributing countries, authors' affiliated institutions, and publication avenues. We have listed the top 10 performers in each category for the reader's convenience.

Table 4 below presents the most productive authors in terms of the number of publications. Salah Alhammadi and Mohammad Kabir Hassan are the two most productive researchers in the research domain, with a total of 3 publications each during the sampled period.

Table 4. Top Productive Authors

Authors	No. of Publication
ALHAMMADI S	3
HASSAN MK	3
KHAN T	2
AASSOULI D	2
ABDULLA Y	2
AGUSTINA M	2
ABAJI EE	1
ABDUH M	1
ABUBAKAR J	1
ADILAH ISMAIL SF	1

Table 5 overviews the leading nations in IF-SIG research. Notably, Malaysia emerges as the most prolific contributor with 35 articles. It is closely followed by Indonesia and Pakistan, which have produced 33 and 20 articles, respectively. The commitments of these three countries to IFD-SIG research are primarily driven by the enthusiastic Islamic Finance development strategies/blueprints in their countries. Such as Malaysia's Halal Industry Master Plan (HIMP) 2030, Indonesia's Islamic Economic Masterplan 2019-2024, and Pakistan's Strategic Plan for Islamic Banking Industry 2021-25.

Table 5. Top Productive Countries by Corresponding Author

Country	Publications
MALAYSIA	35
INDONESIA	33
PAKISTAN	20
BAHRAIN	16
QATAR	11
TURKEY	9
USA	7
BANGLADESH	6
INDIA	6
UK	6

To further devel into the findings presented above, we zoom in to examine the most productive institutions based on corresponding authors' affiliations. The summarised statistics are presented in Table 6 below. HAMAD BIN KHALIFA UNIVERSITY (Qatar) emerged as the most productive institution with eleven publications. It is followed

by James UNIVERSITAS SYIAH KUALA (Indonesia) with ten articles. Notably, two other institutions are tied with ten publications, including the UNIVERSITY OF BAHRAIN (Bahrain) and INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA (Malaysia). Our findings corroborate the earlier findings regarding the dominating role of Malaysia, Indonesia and Qatar in Islamic finance research (A. Khan et al., 2021).

Table 6. Top Productive Affiliations

Affiliation	Articles
HAMAD BIN KHALIFA UNIVERSITY	11
UNIVERSITAS SYIAH KUALA (USK)	10
UNIVERSITY OF BAHRAIN	10
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA	10
UNIVERSITI KEBANGSAAN MALAYSIA	8
INSTITUTE OF BUSINESS ADMINISTRATION (IBA)	6
INSTITUT AGAMA ISLAM TAZKIA	4
INTERNATIONAL ISLAMIC UNIVERSITY CHITTAGONG	4
INCEIF UNIVERSITY	3
ISTANBUL UNIVERSITY	3

To underscore the diverse array of publication venues pivotal in disseminating scholarly work in IFD-SIG research, we have compiled a list of leading publication avenues based on the number of articles published. Our analysis reveals two distinct insights. First, book chapters have played a dominant role in catering for the publications of IFD-SIG research. Notably, the book titled "ISLAMIC FINANCE AND SUSTAINABLE DEVELOPMENT: A SUSTAINABLE ECONOMIC FRAMEWORK FOR MUSLIM AND NON-MUSLIM COUNTRIES" has championed this league with five publications. Secondly, these top publication avenues can be classified into two categories based on their primary research scope: those focusing on Islamic banking, finance, and economics and those centred on general topics on finance and sustainability.

Table 7. Most Relevant Publication Avenues

Sources	Articles
ISLAMIC FINANCE AND SUSTAINABLE DEVELOPMENT: A SUSTAINABLE ECONOMIC FRAMEWORK FOR MUSLIM AND NON-MUSLIM COUNTRIES	5
SUSTAINABILITY (SWITZERLAND)	5
JOURNAL OF ISLAMIC ACCOUNTING AND BUSINESS RESEARCH	3
JOURNAL OF ISLAMIC MONETARY ECONOMICS AND FINANCE	3
JOURNAL OF KING ABDULAZIZ UNIVERSITY, ISLAMIC ECONOMICS	3

2023 INTERNATIONAL CONFERENCE ON SUSTAINABLE ISLAMIC BUSINESS AND FINANCE	2
FINTECH APPLICATIONS IN ISLAMIC FINANCE: AI, MACHINE LEARNING, AND BLOCKCHAIN TECHNIQUES	2
JURNAL PENGURUSAN	2
LECTURE NOTES IN NETWORKS AND SYSTEMS	2
QUALITATIVE RESEARCH IN FINANCIAL MARKETS	2

Citation and Keyword Analysis

Table 8 presents the most influential authors in IFD-SIG research based on H-index and total local citation counts (TC). The table reveals a notable disparity in rankings based on these two metrics. For instance, Tariqullah Khan, Salah Alhammadi and Mohammad Kabir Hassan all hold the highest H-index of 2 but rank 4th, 9th, and 10th place based on TC, respectively. Conversely, Hasnan Baber, Asma Ait Allali, and Simona Franzoni are the top three authors based on total citations and have a lower H-index of 1. This divergence in ranking can be attributed to the difference these metrics focus on: the H-index considers both productivity and citation impact, suggesting a sustained influence over multiple works, while one or more highly cited papers can dominate the total number of citations. Despite these measurement differences, Tariqullah Khan remains one of the most influential authors in this field.

Table 8. Most Influential Authors

Author	H_index	TC
KHAN T	2	30
HASSAN MK	2	27
ALHAMMADI S	2	15
BABER H	1	32
ALLALI AA	1	31
FRANZONI S	1	31
ALBINSSON PA	1	28
HASSAN RB	1	28
JAN A	1	28
MARTINS JM	1	28

A word cloud analysis was performed on keywords extracted from the consolidated bibliometric data to assess the significant themes within research discourse on IF-SIG research. This analysis incorporates the top 50 most frequently occurring keywords, with the findings shown in Figure 3. The terms "sustainable development", "banking", "finance", and "Islamic finance" significantly outsized their surrounding words, indicating the prominent role of these areas in extant IF-SIG research. In addition, the notable size of the "microfinance", "Malaysia", "environmental sustainability", and

"Islamism" word clouds signify the critical role of Islamic microfinance, the issue of environmental sustainability, the experience of Malaysia IFIs, and the adhere of Islamic teachings in IF in this field.

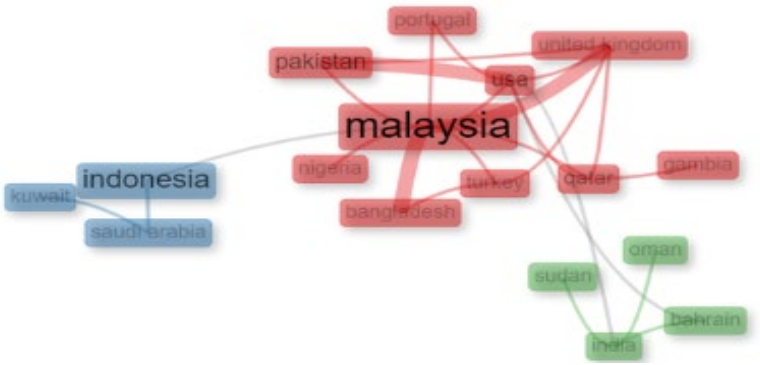
Figure 3. Keywords word cloud analysis



Collaboration Analysis

In addition to the performance analysis of crucial research elements discussed earlier, examining the intellectual collaboration structure between countries in the IF-SIG research is crucial. Collaboration analysis considers critical attributes of authors, such as nationality, and is a widely used approach to assess scholarly collaboration (Donthu et al., 2021). Due to the increased research attention on IFD-SIG, collaborations among researchers enable the sharing of knowledge and resources internationally (Pinho & Reeves, 2021). These partnerships will likely yield a deeper understanding and more comprehensive insights into IFD-SIG by integrating diverse viewpoints. Furthermore, exploring extant co-authorship networks illustrates potential effective connections that future researchers shall endeavour to establish (Li et al., 2013). This will enable them to tap into a wealth of experiences and collaborative opportunities, further advancing progress in this research field.

Figure 4. Research Collaboration Analysis



In our study, the collaboration analysis was conducted at the national level using the Louvain algorithm, an efficient multilevel approach to merge nodes into clusters (Smith et al., 2020). In the visualized collaboration network presented in Figure 4, nodes (i.e. boxes) and links symbolize authors' corresponding countries and the respective co-authorships between countries. The node size reflects the number of publications contributed by that country, while the thickness of the line between nodes indicates the volume of co-authored publications.

Due to the large number of authors in our sample, our collaboration analysis has incorporated 50 nodes (i.e. 50 countries), and the countries with fewer than two co-authorship instances (also known as edges) were removed from the figure. Our analysis reveals three significant observations: first, three collaboration clusters (themed with different colours) emerged, including Malaysia-dominated (red), Indonesia-centered (blue), and Arab-subcontinent community (green); second, the Malaysia-based research institutions play a pivotal role in fostering the international research collaborations across the globe; third, the most notable intensities of cross-country research collaborations are observed between Malaysia-Bangladesh and Bangladesh-United Kingdom.

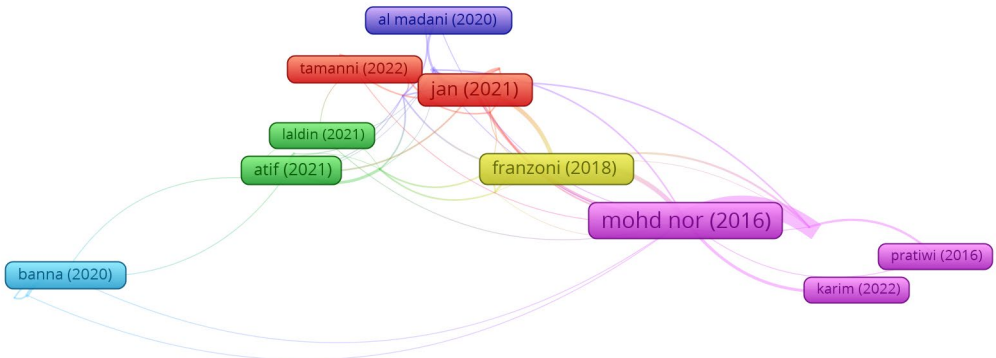
Bibliographic Coupling

To explore the intellectual landscape of IFD-SIG research, we applied VOSviewer to perform the bibliographic coupling analysis and visualize the clusters of research themes. This analysis examines the similarity or relatedness between two publications based on their number of references (Aria & Cuccurullo, 2017). Articles that share similar publications as their references are considered to share common research interests and are subsequently reflected as bibliographic couplings in the visualized network (Phoong et al., 2022).

Figure 5 provides a graphical presentation of our bibliographic coupling analysis. As the figure depicts, the clustering network is represented by box-shaped nodes with different colours and sizes. Node colours signify clusters within IFD-SIG research, while node sizes reflect the total citations received by a particular publication. In our

analysis, publications receiving at least three citations have been included. Subsequently, 26 articles that meet this threshold are illustrated in this coupling network.

Figure 5. Bibliographic Coupling Analysis



The IFD-SIG publications were grouped into four clusters based on the node's colour, such as red, green, light blue, dark blue, purple and yellow. A closer examination of the research themes within each cluster reveals that these are related research areas, each focusing on different sub-themes. Specifically, the read cluster focuses on the alignment of IF with SIG, for instance, Jan et al. (2021). The green cluster emphasizes how Islamic finance can foster the attainment of SIG, for instance, Alshaleel (2019). The dark blue cluster examines the application of IF instruments, like Qard Hasan and Sukuk, to achieve SIG, for instance, Al Madani et al. (2020). The yellow cluster examines the convergence of Islamic finance practices with SIG principles, for instance, Khan (2019). While the purple cluster explores the role of social finance in sustainable growth, for instance, Mohd Nor (2016), the light blue cluster discusses the role of Islamic financial inclusion (Banna & Alam, 2020).

Keywords co-occurrence

To explore the evolving intellectual structure in IF-SIG research, we employed the keywords co-occurrence analysis. We presented the findings via a temporal overlaying visualization network generated using VOSviewer. This analysis examines the similarity of two keywords based on the frequency of their co-occurrence in the sampled publications. Terms frequently co-occurring are deemed highly similar, indicated by shorter links connecting the nodes. In our analysis, 282 keywords (i.e. the combination of author and index keywords) are considered. We set a minimum frequency threshold of three to identify the pivotal building blocks of the keywords' co-occurrence. Subsequently, 21 keywords were retained in our co-occurrence network mapping.

Furthermore, to reveal the temporal evolution of the intellectual structure in IFD/SIG research, the network mapping employed an overlay visualization method, as represented in Figure 6. In this temporary overlay network visualization, the colour of an item is determined by its similarity score, accounting for metadata such as the publication year of the documents and the citation counts (Van Eck & Waltman, 2022).

Furthermore, the colour spectrum ranges from blue to yellow, indicating the past and present research trends, respectively (Van Eck & Waltman, 2022). Additionally, the size of nodes indicates the frequency of occurrence, and the thickness of lines connecting the nodes indicates the strength of association between keywords (J. Zhang et al., 2012).

Figure 6. Temporal overlaying visualization of co-occurrence network

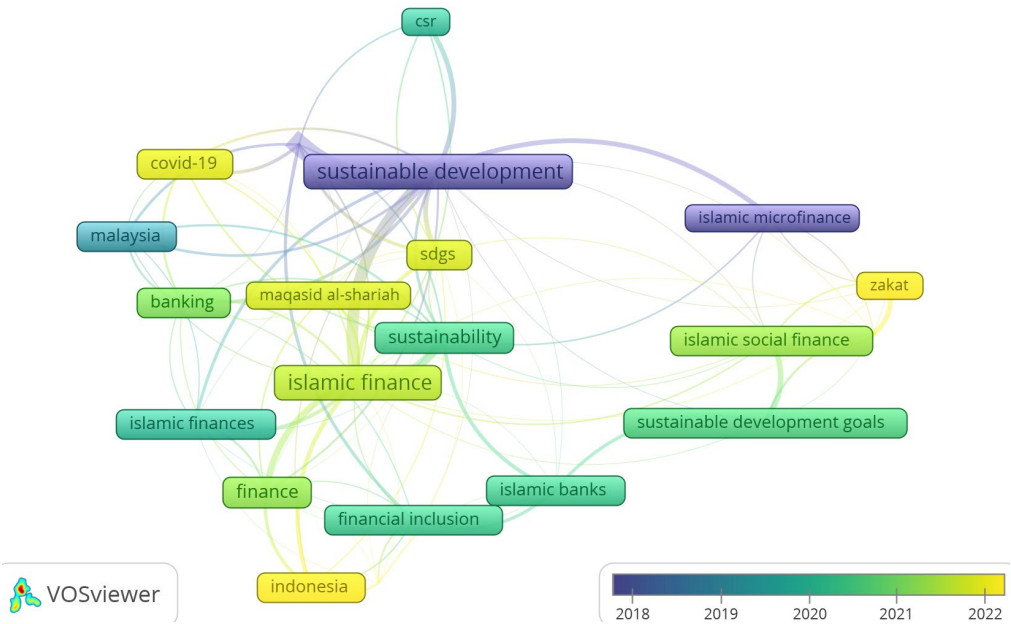


Figure 6 reveals two notable observations. Four clusters have emerged from the underlying keywords network, each focusing on a distinct theme. Detailed information on the theme of each cluster and their respective keywords is listed in Table 9. Secondly, the temporal overlaying network depicts a shift of research focus in IFD-SIG. Initially, the focus was on the role of Islamic microfinance in sustainable development, for instance, Tariq & Umar (2012). This then evolved to aligning Islamic banking and finance with sustainable and inclusive growth principles, for instance, Ahmed (2021). Such a shift aims to cater to the growing importance of SIG for attaining SDGs by 2030. Recently, an emerging trend revealed the importance of Islamic social finance (i.e. Zakat) and the adherence to Maqasid al-shariah in Islamic finance to foster the attainment of SDGs, for instance, Ridho & Siswantoro (2023). Interestingly, many of these studies have focused on the context of Indonesia.

Table 9.: Keywords co-occurrence clusters

Cluster	Keywords	Theme
1	Finance, financial inclusion, Indonesia, Islamic bank, Islamic finance	financial inclusion of Islamic banking and finance
2	Banking, covid-19, Malaysia, maqasid-al-shariah, sustainability	maqasid al-shariah and sustainability
3	Islamic microfinance, Islamic social finance, sustainable development, waqf, Zakat	Islamic social finance and sustainable development
4	CSR, SDGs, Islamic banking, and sustainable development	Islamic banking and sustainable development

Content Analysis

We then applied qualitative content analysis to synthesize the opportunities and obstacles in leveraging the development of Islamic finance industry for advancing sustainable and inclusive growth. To identify publications related to this theme, we have thoroughly examined the title and abstract of the sampled studies. In total, we managed to identify 31 publications that discuss the prospects and challenges of achieving sustainable and inclusive growth via the advancement of the Islamic finance industry.

Extant publications have identified the following aspects of obstacles:

1. Linear economic paradigm: Islamic finance, which is derived from the linear economic paradigm, faces challenges in aligning with the contemporary global financial architecture. The need for a paradigm shift from linear to circular/ecological economics is crucial, and with it, a transformation of the financial architecture to better align with Islamic finance principles and sustainable development goals (SDGs) (Tariqullah Khan, 2019).
2. Limited Research: More research is needed to determine the effectiveness of Islamic finance, particularly in new areas like sustainable energy (Karim, 2023).
3. Small market share: Islamic finance, despite its growth, still accounts a relatively small market share in the global financial system. And the small market share hinders IF to yield substantial impact on sustainable and inclusive growth (Izhar & Kasri, 2021).
4. Restrictive Regulation: The restrictive regulations, especially for Micro, Small, and Medium Enterprises (MSMEs), impede the growth of Islamic financial institutions (Saifurrahman & Kassim, 2023).
5. Social and Environmental Impact: Islamic finance has yet to realize its potential for positive social and environmental impact fully. A focus on compliance over impact-driven approaches needs to be addressed (Izhar & Kasri, 2021).
6. Awareness and Literacy: Lack of awareness and financial literacy among potential beneficiaries (like SMEs) affects their adoption of Islamic financial products (Rasheed & Siddiqui, 2022).

On the flip side, due to the following considerations, Islamic finance is perceived to yield promising benefits for sustainable and inclusive growth:

1. Alignment with SDGs: Islamic finance's emphasis on social good, prohibition of interest, and asset-backed financing aligns well with SDGs (Hassan et al., 2022), making it a powerful tool for sustainable development activities (Agustina et al., 2023; Jan et al., 2021).
2. Financial Inclusion: Islamic fintech can significantly lower the cost of raising capital (Butt et al., 2023), improve financial inclusion (Shofawati, 2023), and ensures better compliance (Atif et al., 2021), which is crucial for achieving SDGs.
3. Economic Resilience: Islamic finance supports economic diversification, technological progress, and innovation, aiding regions like the GCC in reducing oil dependence and building resilient economies that are conducive to the attainment of sustainable development (Alshaleel, 2019)
4. Maqasid Al-Shariah Approach: As Maqasid Al-Shariah emphasizes safeguarding common interests for both this and future generations, the adherence to these principles in Islamic finance operations can foster a more equitable and sustainable future (Laldin & Djafri, 2021).
5. Innovative Products: Financial instruments based on Islamic principles like riba-based loans (Setiawan, 2023), Islamic microfinance (Selim et al., 2023), and cash waqf (Tahiri-Jouti, 2022) offer opportunities for more targeted SDG financing.
6. Collaborative Models: Blended Islamic finance models, combining philanthropy, private sector activities, and public sector support, offer new ways to finance impactful SMEs and development projects (Khan & Badjie, 2022).

Conclusion

Given the increased research interests in the development of the Islamic finance industry (IFD) on the attainment of Sustainable and Inclusive Growth (SIG) over the last two decades, this study has applied bibliometric and content analysis to provide a comprehensive overview of the extant scientific output on the research domain. In particular, our study leverages the bibliometric data retrieved from the Scopus database and a series of performance and network analyses to provide a systematic and quantitative insight into the extant scientific outputs of the IFD-SIG nexus. In addition, it employs qualitative synthesis techniques to provide a structured overview of the opportunities and obstacles of IF in effectively fostering the realization of SIG.

Our bibliometric analysis reveals that the IFD-SIG nexus research has surged dramatically after 2020. Most of the research have published in academic journals, and this signifies the solid knowledge base established within Islamic finance and the rigorous academic enquiries in the IFD-SIG field. Though research collaboration among scholars has been predominantly domestic, the quality of research is well-regarded. This can be evidenced from a moderate level of citation performance, with an average citation rate of 4.38 per document.

Regarding the productive performance of authors, Salah Alhammadi and Mohammad Kabir Hassan emerged as the most prominent figures with the highest number of publications. In assessing the productive performance of the country, Malaysia, Indonesia, and Pakistan have led the league. Furthermore, Tariqullah Khan, Salah Alhammadi and Mohammad Kabir Hassan have emerged as the most prominent figures with highest H-index. Nation-wise, Malaysia, Indonesia, and Pakistan have ranked as the most productive countries in IFD-SIG research domain, likely spurred by national strategic planning on developing the Islamic finance industry in these countries. At the institutional level, Hamad Bin Khalifa University, Universitas Syiah Kuala, the University of Bahrain, and the International Islamic University Malaysia were the top contributors to this research domain.

Our collaboration network analysis reveals that Malaysia and Indonesia have played a crucial role in fostering international collaboration on IFD-SIG research. Furthermore, bibliographic coupling and keyword co-occurrence analyses underscore the diversity within the IFD-SIG research domain. In general, four main research clusters have been identified: a) financial inclusion of Islamic banking and finance; b) Maqasid Al-Shariah and sustainability; c) Islamic social finance and sustainable development; d) Islamic banking and sustainable development. Furthermore, with the assistance of temporal overlaying network analysis, this study reveals the future research direction on the importance of Islamic social finance (i.e. Zakat) and the adherence of Maqasid al-shariah in Islamic finance to foster the attainment of SDGs.

Finally, our content analysis has identified several obstacles and opportunities for attaining SIG via IFD. Though many challenges exist in the present Islamic finance system, Islamic banking and finance hold significant potential for achieving sustainable and inclusive growth. Islamic finance can play a crucial role in building a more inclusive and sustainable future by addressing the challenges and capitalising on the opportunities.

Overall, our study contributed to understanding the current state of IFD-SIG research and provided insights into its trends, influential contributors, and evolution of intellectual structure. The findings can serve as valuable resources for researchers and policymakers interested in advancing the Islamic finance industry towards attaining sustainable and inclusive growth. The study underscored the importance of continued research and collaboration in shaping the future of the Islamic finance industry, which ultimately leads to the achievement of the Sustainable Development Goals (SDGs).

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LEGAL FRAMEWORK FOR NON-PROFIT ORGANISATIONS IN MALAYSIA AND THE NEED FOR A STANDARD REGULATORY & COMPLIANCE FRAMEWORK IN CHARITY GOVERNANCE

Ahmad Mu'az Mohd Nawawi1*, Nurul Atiqah Anuar1, Nuramalina Samar1
[1] International Governance and Sustainability Centre
[1] Suite 10.01, Level 10, Menara Atlan, 161B, Jalan Ampang, Persiaran KLCC, 50450 Kuala Lumpur
muaz@mahalaw.com.my*, nurulatiqah@igsc-governance.com, amalina@igsc- governance.com

ABSTRACT

Non-Profit Organisations - "NPO" (also known as Non-Governmental Organisations or Charitable Organisations) in Malaysia are registered and regulated under multiple laws and regulatory bodies in Malaysia. This causes a confusion on key issues such as the legal framework, compliance requirements and practice guidelines such as reporting standards or administration fee utilisation by the said NPO. This study will present the available legal avenues for NPOs in Malaysia and its compliance requirements as prescribed by their respective laws or practice guidelines (under each regulator). Indeed, the multiple laws available has caused confusion amongst the public into understanding a general term normally used for charitable organisations such as "Foundations" with a standard guideline whereas each type of the organisations available under the respective laws has different requirements in registration and compliance framework. For example, the audited financial statement compliance requirements have caused issues of transparency and put the NPOs at risks of scrutiny and exposure to bad governance practices. Nevertheless, this multiple legal sphere also has its benefits in creating alternatives for the public to adopt the best model suitable in registering their preferred and feasible NPO according to the model in hand. With the current demand for the third sector and Social Finance playing a more pivotal role in the world today, standardisation and uniformity in the regulatory & compliance framework in Malaysia is needed to ensure better practices in charity governance which was well presented in Islamic Economic models throughout history.

Keywords: non-profit organisation, non-governmental organisation, regulatory, compliance, charity organisation, governance

Introduction

A non-profit organisation (NPO) is a legal entity operated for a collective, public or social benefit (UNICEF). In certain countries, NPO is often used synonymously with the term non- governmental organisation (NGO), civil society organisation (CSO), foundation and charitable organisation. The United Nations (UN) Department of Public Information (DPI) defines the NGO as "a not-for-profit, voluntary citizen's group that is organized on a local, national or international level to address issues in support of the public good. On the other hand, The Organization for Economic Cooperation and Development (OECD) refers to a non-governmental organisation (NGO) as any non-profit entity organised on a local, national or international level to pursue shared objectives and ideals, without significant government- controlled participation or representation (OECD, 2018). As quoted by Suruhanjaya Syarikat Malaysia (SSM) in the Best Practices of NPO (2014), Financial Action Task Force (FATF) defined NPO as legal person or arrangement or organisation that primarily engages in raising and disbursing funds for charitable, religious, cultural, educational, social of fraternal purposes, or for carrying out of other type of "good works". Section 45 of the Guideline on Company Limited by Guarantee (CLBG) stated that CLBG can only be formed for the following objects; (a) promoting recreation or amusement; (b) promoting commerce and industry; (c) promoting art; (d) promoting science; (e) promoting religion; (f) promoting charity; (g) promoting pension or superannuation schemes or; (h) promoting any other objects useful for the community or country, such as (i) environment; (ii) health; (iii) education; (iv) research; (v) social; or (vi) sports.

Non-profit organisation plays a significant role in fulfilling the needs of the society that is unfulfilled by the public and private sector (Omar, Arshad, Ab Samad & Ismail, 2016). NPO in Malaysia are registered and regulated under multiple laws and regulatory bodies. This causes a confusion on key issues such as the legal framework, compliance requirements and practice guidelines such as reporting standards or administration fee utilisation by the said NPO. When the organisation is subject to regulation by multiple regulatory bodies, there is a tendency of having difficulties in benchmarking itself against best practices. Each regulatory body may have distinct sets of standards and requirements for compliance which the priorities of the governance, accountability and operational practices are different. There are also comparability issues where diverse regulatory frameworks make it difficult to compare organisations for benchmarking purposes and thereafter hinder the organisations' effort to improve their performance and governance. The challenges of having diverse standards to comply with may cause issues of transparency and accountability and put the NPOs at risks of scrutiny and exposure to bad governance practices. Therefore, the aim of this paper is to (i) review the available legal avenues for NPOs in Malaysia and its compliance requirements as prescribed by their respective laws or practice guidelines (under each regulator); (ii) review existing charity governance framework; (iii) examine the existing literatures on issues and challenges faced by the NPOs to adopt good governance practices; and (iv) present the recommendations and way forward for enhancing the governance of NPO.

Landscape Of Legal Registration in Malaysia

Legal registration landscape in Malaysia unveils a multifaceted framework shaped by multiple regulatory bodies and processes. From societies championing local initiatives to foundations dedicated to philanthropy, each entity navigates a distinct path toward legitimacy within Malaysia's legal registration framework. Haji Ali, D. Z, Mohamad, N. A., & Syed Abd Kader, S. Z. (2020) highlighted that there is no single or comprehensive statute that governs charity, in particular non-Shariah based charity and no proper monitoring on charitable organization. Table 1 illustrated the summary of different legal registration frameworks. All the four types of entities with asterisk (*) can carry the term Yayasan or Foundation.

Table 1: Legal registration framework / platform to set up NPO

No	Regulator	Governing Statute/Law	Type of Entity	Annual Compliance
1	Registrar of Society (ROS)*	Societies Act 1966	Association / Society	Annual General Meeting Financial Report (Internal Auditor) Tax Filing
2	Suruhanjaya Syarikat Malaysia (SSM)*	Companies Act 2016	Company Limited by Guarantee (CLBG)	
3	Bahagian Hal Ehwal Undang- Undang (BHEUU), Jabatan Perdana Menteri (JPM)*	Trustees Incorporation Act 1952	Trust Incorporate Body	Annual General Meeting Audited Financial Report Annual Return Tax Filing
4	Labuan Financial Services Authority (LFSA)*	Labuan Trusts Act 1996 & Labuan Foundation Act 2010	Trust Company / Labuan Foundation / Labuan International Waqf Foundation	

5	Ministry of Foreign Affairs, Malaysia (MOFA)	International Organisation (Privileges and Immunities) Act 1992 (IOPIA)	International Organisation (IO)	Generally has the same obligations as other legal entities in Malaysia. It is subject to its Article of Agreement of the IO.
6	Suruhanjaya Koperasi Malaysia (SKM)	Co-operative Societies Act 1993	Co-operative Society	Annual General Meeting Audited Financial Report Annual Return Tax Filing
7	Registrar of Youth (ROY)	Youth Societies and Youth Development Act 2007	Youth Society	
8	Enakmen Pentadbiran Undang-undang	Undang-undang Islam Negeri	Islamic private School under Majlis Agama	Not defined

**There are additional non-profit entities (i.e. foundations) subject to the respective state laws

Charity Governance Framework

The governance framework plays a pivotal role in shaping the organisational structure, accountability and performance within the sectors. Each private, public and social development sector operates with distinct objectives and stakeholders. Table 2 outlined the existing social development or charity governance framework in which the similarities and differences of the components are observed, which contribute to fostering organisational accountability, sustainability and impacting communities.

Table 2: Charity governance framework

No	Institution	Framework	Components
1	Registrar of Society (ROS) Malaysia	Code of Good Governance (2016)	Understanding role and responsibility *(Memahami peranan masing-masing)* Ensuring the achievement of the organisational goals and objectives *(Memastikan matlamat pertubuhan tercapai)* Upholding effective internal control *(Mengamalkan kawalan yang berkesan)* Act efficiently, individually and in team *(Bertindak dengan cekap secara individu dan berkumpulan)* Act with integrity and transparency *(Bertindak dengan penuh integriti dan telus)*

2	United Nations Development Program (UNDP)	Elements of Good Governance	Rule of Law Participations Transparency Consensus oriented Accountability Effectiveness and efficiency Equity and inclusiveness Responsiveness
3	United Nations Development Program (UNDP)	Governance for People and Planet (2023)	Priority 1: Improve access to public goods and services Priority 2: Empowering people to drive positive changes Priority 3: Ensuring gender equality is integrated into all governance systems Priority 4: Governance integrated in all UNDP's work

4	Australian Institute of Company Directors (AICD)	Not for Profit Governance Principles (2019)	Purpose and strategy Roles and responsibilities Board composition Board effectiveness Risk management Performance Accountability and transparency Stakeholder engagement Conduct and compliance Culture
5	Charity Commission for England and Wales	Charity Commission Governance Framework	Accountability, openness and transparency The Board - constitution, conduct and meetings Role of the Chair Role of the Chief Executive and Executive Leadership Team (ELT) Relationship between the Board and the ELT

6	Project Management Institute (PMI)	Governance frameworks for public project development and estimation	Transparency, openness for scrutiny, maximum openness about basis for decisions. Learning, willingness to change. Setting common, high professional standards. External control, independency. Political anchoring of framework on high level. Quality Assurance/Gateway review is non-political. Look for big, important trends, not the minor details.
7	National Council for Voluntary Organisations (NCVO)	Charity Governance Code (2020)	Organisational Purpose Leadership Integrity Decision-making, risk and control Board effectiveness Equality, diversity and inclusion Openness and accountability

8	Singapore Charity	Code of Governance Framework for Charities (2017)	Principle 1: The charity serves its mission and achieves its objectives. Principle 2: The charity has an effective Board and Management. Principle 3: The charity acts responsibly, fairly and with integrity. Principle 4: The charity is well- managed and plans for the future. Principle 5: The charity is accountable and transparent. Principle 6: The charity communicates actively to instill public confidence. Board Governance Board Roles and Composition Board Committees Board Meetings Conflict of Interest Strategic Planning Objectives Long-Term Planning Programme Management Human Resource and Volunteer Management Financial Management and Internal

Controls
Operational Control
Budget Planning and Monitoring
Capital Asset Management
Reserve Management

Fundraising Practices
Conduct of Fundraising
Accountability to Donors
7.2 Use of Third-Party Fundraisers

Disclosure and Transparency

Public Image

The components of the charity governance framework illustrated the similarity in terms of roles and responsibilities, organisational purpose and transparency and accountability. This reveals a notable coherence across different charity governance frameworks, highlighting commonalities of the principles of good governance within the social development sectors.

Issues And Challenges Faced By The NPOs To Adopt Good Governance Practices

Governance is paramount in the non-profit sector, guiding the operations and ensuring accountability, transparency and ethical conduct. Previous literature highlighted NPOs face a range of issues and challenges that can impact their organisational effectiveness and reputation. Our review of the literature identified the core problems of having an unstandardised regulator with the respective consequences.

Non-Holistic Compliance Exercise Doubts Importance

Complexity and confusion may occur especially when each regulatory body has different requirements, timeline and reporting mechanisms. As an example, in terms of the structure type of entity used for those registered at Companies Commission of Malaysia is Company Limited by Guarantees, while those registered at the Registrar of Societies, it can be in several other categories of civil society organisations such as association, trade union, foundation, political party, society and others.

Financial statements

In regard to the compliance in conducting or providing audited financial statements, the practise differs between regulatory frameworks, i.e. according to Section 248 of the Companies Act, 2016 (CA 2016), the Director shall prepare Audited Financial Statements (AFS) within 18 months from the date of its incorporation (for new Company) and subsequently, within 6 months of its Financial Year End. Pursuant to Sections 257, 258 & 259 of CA 2016, the Company are required to circulate to all the members, the auditors and debenture holders (if any) its duly approved and signed AFS for the Financial Year Ended 31 December 2023, at least 21 days before the date of its Annual General Meeting (AGM) and this AFS must be lodged with SSM within 30 days from its AGM. According to Section 68 of the CA 2016, the Company must lodge with SSM an Annual Return for each calendar year within 30 days from the anniversary date of its incorporation. Nonetheless, entities registered under the Registrar of Societies financial management account do not require for independent audit, as internal audit is sufficient.

Annual General Meeting

One of the compliance requirements for the said entity is, section 14 Societies Act 1966, every registered society to furnish annual statements, within sixty days after the holding of its annual general meeting or if no annual general meeting is held, within sixty days after the end of each calendar year. Failure of which, the Registrar has the power to cancel the registration of any society registered under section 7 of the said Act.

According to Section 340 (1), (2) & (3) of the Companies Act, 2016 ("CA 2016"), every public company (included Company Limited by Guarantee (CLBG)) shall hold an Annual General Meeting ("AGM") in every calendar year in addition to any other meetings held during that period. The AGM shall be held within 6 months of its Financial Year End provided that it is held, within 18 months from incorporation date for new CLBG, and within 15 months from the previous AGM for existing CLBG. The company and every officer who contravene subsection (1), (2) or (3) commit an offence and shall, on conviction, be liable to a fine not exceeding twenty thousand ringgit (RM 20,000.00).

Compliance Fraternity

Above are the common compliance i.e. annual submission, however, different Act and Regulations have different context and the interpretation, in terms of execution to compliance. Having these examples lead to another area of compliance which also has implications to the operation of NPO, for example tax, corporate liability and beneficial ownership.

Income Tax Return

According to Section 77A (1) of the Income Tax Act 1967, every company, limited liability partnership, trust body or co-operative society shall for each year of assessment furnish to the Director General a return in the prescribed form within seven months from the date following the close of the accounting period (Financial Year End) which constitutes the basis period for the year of assessment. Failure to comply with, shall expose to penalty by the Inland Revenue Board. This compliance requirement needs to be adhered to NPO because their revenue / income generated from donations received or maybe economic activities conducted consistent with objectives of their constitution. Nonetheless, based on the practice, the majority of NPO are not aware of this requirement. This situation may differ between types of entities registered for charity purposes. The registration under ROS may not be integrated with IRB unlike the registration system under SSM.

Corporate Liability

Corporate responsibility: This is a general principle that holds companies accountable for the actions of the people who work for them or with them. There is a challenge in defining the term "commercial entities" for the NPO. Although their establishment is not for economic purposes, the transactions involved multiple parties and it includes the NPO. This has created a loophole in order to be aligned with the aspiration of the corporate liability concept under the section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009. According to the provision, companies can be held liable for bribery committed by their employees or associates (people who work closely with them). If an employee or business partner bribes someone for the company's benefit, the company can be punished. Nonetheless, companies can avoid punishment if they can show they have strong

anti-bribery procedures in place i.e. TRUST principle. These procedures would help prevent bribery from happening in the first place.

Beneficial Ownership

This is another newly introduced provision that requires entities registered under the Companies Act 2016 to comply with, in which CLBG also be obliged. Criminals can hide behind businesses owned by nominees (people who hold something in trust for someone else), which now must be read together with section 8 of CA 2016 in order to identify natural persons who own or have control over the Company. The current definition of "beneficial owner" (BO) only considers who ultimately owns the shares, potentially missing those who control the company. This guideline proposes a Beneficial Ownership Reporting Framework (BO reporting framework) for all businesses. Businesses will be responsible for identifying and verifying their true owners (BOs). This information (BO information) needs to be accurate, up-to-date, and accessible to designated authorities in a timely manner and Companies will report any changes in BO information to the Registrar. By making BO information transparent, authorities can better fight financial crimes like money laundering and terrorism financing. Businesses will play a key role in this process by self-regulating and following these guidelines.

Anti Money Laundering and Countering Financing Terrorism

As outlined by Bank Negara Malaysia, in line with the international standards established by the FATF, the anti-money laundering (AML) and countering financing terrorism (CFT) currently being imposed on reporting institutions. However, the National Money Laundering/Financial Terrorism (ML/FT) Risk Assessment (NRA) by the National Coordination Committee to Counter Money Laundering (NCC) has assessed and identified the key threats and sectoral vulnerabilities exposed to AML compliance requirement outlined in the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and its implementing regulations. Given the susceptibility of charitable activities to money laundering abuse, implementing robust AML procedures is imperative for charity organisations. The AML/CFT requirements prescribed by the Bank Negara Malaysia form the cornerstone of the policy, implemented through a risk-based approach encompassing risk management, risk assessment, risk control and mitigation, risk profiling and risk reporting. To reinforce AML effort, the charity organisation may appoint the compliance officer to oversee overall AML implementation within the organisation. Additionally, as charity organisations engage with multiple stakeholders, such as but not limited to establishing business relationships, collaboration or strategic partnership, conducting customer due diligence is essential. Charity organisations may also take proactive steps in identifying and assessing Politically Exposed Person (PEP), be it foreign or domestic PEP. Concurrently, including Suspicious Transaction Report (STR) as part of their AML policy is essential where the transaction,

regardless of the amount (a) appears unusual; (b) has no clear economic purpose; (c) appears illegal; (d) involves proceeds from an unlawful activity or instrumentalities of an offence; or (e) indicates that the customer is involved in ML/TF.

These are some of the compliance provisions highlighted, and not exhaustive. The options on regulatory frameworks have not allowed for a fair comparison for best practices to happen.

Inconsistency on Monitoring, Reporting and Penalties on Compliance

As outlined in Table 1, NPO is subjected to annual compliance evaluation by the respective regulatory authorities. From the perspective of the staff that possess a comprehensive understanding of the regulatory mandates, adherence to compliance should be straightforward. Despite each regulatory body having its own guideline, the lack of harmonisation results in overlapping and conflicting requirements.

The absence of standardised guidelines may also impose monitoring burdens on regulators, particularly due to the dynamically changing regulatory landscape influenced by evolving law, policies and enforcement priorities. In addition to the inefficient coordination and communication by the regulatory authorities to the stakeholders, NPO may struggle to reconcile the inconsistencies and ensure compliance without violating regulations. Table 3 illustrated the penalties of non-compliance under Companies Act 2016 whereas Table 4 illustrated the relevant penalties to charity organisation for non-compliance tax under Income Tax Act 1967.

Table 3: Penalties under Companies Act 2016

Section	Description	Penalties
68(9)	Lodgement of annual return within 30 days from the anniversary of its incorporation date	Not exceeding RM50,000.00 and in case of continuing offence, to a further fine not exceeding RM1,000.00 for each day during which the offence continues after conviction
248(3)	Director shall prepare financial statements	Not exceeding RM500,000.00 or 1 year imprisonment or both
257(4)	Duty to circulate copies of financial statements and reports	Not exceeding RM50,000.00

259(3)	Duty to lodge financial statements and reports with the Registrar	Not exceeding RM50,000.00 and in case of continuing offence, to a further fine not exceeding RM1,000.00 for each day during which the offence continues after conviction

Table 4: Penalties for non-compliance tax under Income Tax Act 1967

Section	Description	Penalties
112(1)	Failure (without reasonable excuse) to furnish an Income Tax Return Form.	200.00 to 20,000.00 / Imprisonment for a term not exceeding 6 months / Both
115(1)	Attempt to leave the country without payment of tax.	200.00 to 20,000.00 / Imprisonment for a term not exceeding 6 months / Both
119A	Fails (without reasonable excuse) to comply with an order to keep proper records and documentation.	300.00 to 10,000.00 / Imprisonment for a term not exceeding 1 year / Both
103(3)	Pay taxes after 30th April.	Starting from 1st January 2020 10% increment from the tax payable

Competency, Ethical and Moral Compass

Being seen as a growing sector, social development has yet to gain its stability in getting competent and right talents to spearhead and accelerate the maturity of the said sector. Observation made to the adoption of good governance practice in which legal and compliance as a part of the fundamental is facing a real challenge when the appointed board members, president and its committees do not understand the purpose, directions and obligations of establishing and managing the organisations. Besides, the existing legal and regulatory frameworks are massive and one has to really consider which framework is suitable before committing to the compliance requirements. Failure of which leads to issues of non-compliance and the expected implementation standard is higher because it involves public interest.

Hiring competent and skilful talents and to be competitive in the salary market hinders NPO from having the access in making or uplifting the management quality of NPO in complying with the legal and regulations (Ab Samad, N. H., & Ahmad, N. H., 2021). This has eventually contributed to the behaviour and way of thinking of those stakeholders on the importance of maintaining a good compliance culture in organisations for sustainability. Financial aspect due to lack of funds of NPO (Othman et al., 2012) has made NPO stuck in balancing the operation needs and managing stakeholders' expectations.

Maturity of the sector is seen as one of the milestones to be achieved, and that could only happen if the internal stakeholders of NPO can contribute effectively. For example, a collective effort of professional accountant and practitioner in the social development sector has initiated in drafting International Financial Reporting Standard for Non-Profit Organisation (IFR4NPO) in responding to the standard guideline for NPO to do financial reporting, as currently it adopts the business outfit of financial reporting and some are driven by donor's requirements. Data collected at the stakeholders engagement session of IFR4NPO on common categories of challenges for charitable organisations in Malaysia, as append in Table 5 below:

Table 5: Common categories of challenges

No.	Challenges	Description
1.	Loose governance structure	No guideline or compatible standard for Non-Profit Organisations (NPO), political influence, lack of transparency, lack of integrity, funds management.
2.	Limited resources	Funding, grant, support, capacity building.
3.	Impactful programs and projects	Reporting, targeting beneficiaries, public expectation.
4.	Stakeholder engagement	Lack of coordination.

Acknowledging the above challenges, it is important that the internal stakeholders play vital roles in managing the moral and ethical compass, especially when there are no unified compliance standards and loopholes due to multiple compliance requirements that may leave some grey areas / gaps for the decision-making process. Adopting good governance practices set by the practitioner as per Table 2 of this paper at least can give a good foundation for common direction and managing risk effectively on conflict of interest, disclosures, related party transactions, ethics and moral culture.

Conclusion and Future Agenda

The current review has shed light on the pivotal findings concerning the mapping of legal registration procedures for NPO in Malaysia, the existing charity governance structure and the spectrum of issues and challenges faced by the NPO. This underscores the need for actionable steps in streamlining the efforts for the good governance practices of NPO is mapped out through the implementation of the following actions:

Impactful and Sustainable Intervention on Charity Governance Agenda

Secretariat / Special Taskforce

In the pursuit of establishing a charity governance agenda, it is essential to identify experts capable of contributing their expertise and guiding the direction of the initiative. These individuals will serve to spearhead the efforts to navigate challenges and gaps and steer the task force towards achieving the objective effectively. In addition, the task force will play a vital role as caretaker or vehicle mechanism to ensure sustained commitment throughout the establishment journey. The initial framework setup will provide necessary structure and support to uphold the goals over time, fostering a culture of dedication and perseverance among all stakeholders involved. By harnessing the expertise of these identified experts and implementing robust secretariat structure, it will be more confident to strive towards realising the shared vision with unwavering determination and commitment.

Structured Stakeholders' Engagement

Central to the strategy of establishment of charity governance is through the identification of stakeholders and a well planned and structured stakeholder mapping of their interest and concern. A stakeholder engagement session will follow up afterwards to harness invaluable input from the stakeholders in which the structured mapping ensures the engagement sessions yield valuable insights, enabling for an effective action plan in achieving the objectives. A series of stakeholder engagement sessions have been conducted in the effort of obtaining insights from multiple stakeholders on the good governance practices within the social development sectors. Below is the extract from the Minutes of the Roundtable Discussion Session 1 of the Malaysia Civil Society Organisation Empowerment Program (MyCSOEP) held at the Bilik Persidangan 1 Level 21, Kementerian Pembangunan Wanita, Keluarga dan Masyarakat, No. 55, Persiaran Perdana Presint 4, 62100 Putrajaya, 5 August 2019 at 2:00 pm which highlights the important points of resolution;

1. The stakeholders recognise the needs and importance of good governance in order to uplift the third sector professionalism.

2. The stakeholders recognise the needs to establish a Charity Commission for the purpose of:

a) laying down the guidelines for civil societies in Malaysia;
b) sharing of best practices; and
c) creating awareness on the importance of good governance.

3. To set-up a taskforce to pursue the establishment of a Charity Commission.

It is important to recognise the previous effort and continue targeting advocacy and awareness across all levels of the stakeholders, both strategic and within the mass public. By engaging in strategic advocacy initiatives and disseminating the information widely to cultivate the shared understanding and garner support for the cause, thereafter maximising the impact of driving meaningful change.

Knowledge Resources

A critical aspect of the strategy of charity governance establishment involves the development of knowledge resources constituting the non-exhaustive references such as guidance notes, standard, learning module or syllabus to underpin the "software" of the capacity building program. These resources will serve as essential tools in equipping individuals within the non-profit sector with the necessary knowledge and skills to thrive in their roles. Additionally, it is crucial to recognise the importance of establishing a clear career pathway as a profession within the non-profit sector to facilitate professional growth and development. By providing opportunities for individuals to enhance their competencies and become subject matter experts, it is aimed to bolster the overall ecosystem of the non-profit sector.

Furthermore, it is also important to develop a structured hierarchical training system, professional certification program and career development plan to attract and retain top talents for the sector thus improving the quality of the sector, enhancing its impact and competitiveness. Lastly, the strategy involves the establishment of the quality standard and best practices as benchmark for excellence, while at the same time activating research studies to assess the effectiveness of the regulation implementation. Consequently, implementing performance indicators and NGO performance rating may ensure accountability and continuous effort to strive for improvement within the sector.

Centre of Reference

The ultimate goal of the charity governance establishment may also consider establishing a sustainable resource centre dedicated to research and development for a pivotal initiative aimed at nurturing growth and maturity of Malaysia's third sector. The centre will

serve as a hub for innovative ideas, strategic collaboration, and evidence-based solutions, providing vital support to non-profit organisations across nations. By activating the research and development effort, the power of knowledge and data is harnessed to address the pressing challenges, identify emerging trends and develop sustainable strategies for long term impact especially on enhancing the good governance practices. Through this initiative, it is aimed to foster the culture of continuous learning, adaptation and improvement within the third sector, ultimately empowering non-profit organisations to thrive and create meaningful change in the sector and impact to the beneficiaries.

Uniformity Promotes Better Governance

The effort made leading to the establishment of Charities Commission, has enabled the realisation of several key benefits, including:

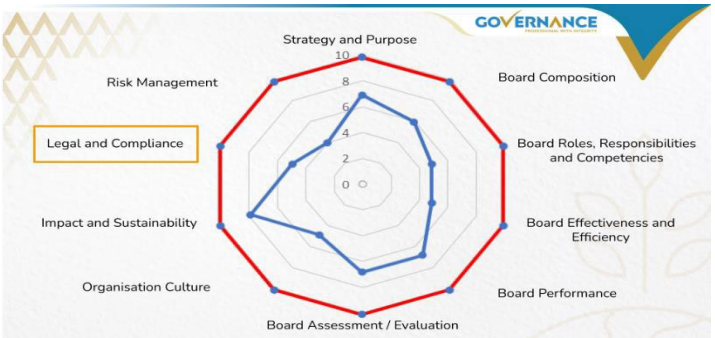
Effective Monitoring and Evaluation for Compliance by Single Authority

The centralisation of the authority also reduces duplication of efforts, ensures consistency in enforcement and facilitates coordination among stakeholders. The regulatory bodies may also conduct regular inspection, audits, and review of financial records, activities and governance practices in a timely manner. Effective compliance monitoring helps identify any deviations from standards and enable timely intervention to address the issues.

Adoption of Recognised Good Governance Practices

The establishment of a charity commission streamlining the monitoring and evaluation mechanism by having a clear regulatory framework, adopted from good governance practices outlining the legal requirements, financial reporting standards, governance structure and ethical guidelines. Figure 1 represent the governance framework developed by International Governance and Sustainability Centre deriving from various best practices.

Figure 1 Governance framework developed by International Governance and Sustainability Centre



Comprehensive Talent Ecosystem to Support the Growth of the Social Development Sector

A standardised authority outlining the overall talent ecosystem including guidance, training and assistance on the regulatory requirement allowing sustainable capacity building initiatives to enhance the compliance and capabilities of charitable organisations and the talent involved in the sector.

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PERKEMBANGAN DAN SUMBANGAN COOP BANK PERTAMA DALAM INOVASI KONTRAK SYARIAH: CABARAN DAN PELUANG

Yasmin Hanani Mohd Safian, PhD
Fakulti Syariah dan Undang-undang
Universiti Sains Islam Malaysia
71800 Nilai, MALAYSIA
yasmin@usim.edu

Farah Salwani Muda@Ismail, PhD
Fakulti Syariah dan Undang-undang
Universiti Sains Islam Malaysia
71800 Nilai, MALAYSIA

Muhamad Firdaus Ab Rahman, PhD
Fakulti Syariah dan Undang-undang
Universiti Sains Islam Malaysia
71800 Nilai, MALAYSIA

Hussein 'Azeemi Abdullah Thaidi, PhD
Fakulti Syariah dan Undang-undang
Universiti Sains Islam Malaysia
71800 Nilai, MALAYSIA

Nik Salida Suhaila Nik Saleh, PhD
Fakulti Syariah dan Undang-undang
Universiti Sains Islam Malaysia
71800 Nilai, MALAYSIA

Abstrak

Peranan koperasi dalam memacu perkembangan ekonomi negara amat jelas dan relevan. Koperasi Co-opbank Pertama Malaysia Berhad (CBP) menawarkan pelbagai produk kepada pelanggan termasuklah pembiayaan-i, deposit-i, ar rahnu dan wasiat. Bank Koperasi ini menawarkan produk

patuh Syariah dan berusaha mempelbagaikan produk yang lebih patuh Syariah dan kompetetif. Namun, produk inovasi tidak lari dari cabaran dari segi Shariah, perundangan dan cabaran industri yang memerlukan kajian mendalam. Pelbagai rektifikasi telah dijalankan dalam usaha memastikan segala perjalanan aktiviti dan perkhidmatan penawaran adalah patuh Syariah. Justeru, kajian ini akan mengkaji produk-produk CBP dan usaha penambahbaikan termasuk rektifikasi yang diambil dalam usaha memantapkan perkhidmatan agar patuh Syariah dan mengurangkan risiko ketidakakuran.

Kata Kunci: Koperasi Islam, Coopbank Pertama, produk pembiayaan, produk inovasi, ketidakakuran.

PENDAHULUAN

Peranan koperasi dalam memacu perkembangan ekonomi negara amat jelas dan relevan. Walaupun koperasi tidak dianggap sebahagian daripada institusi kewangan, koperasi berpotensi menjadi pemangkin kepada kemajuan sosial dan ekonomi masyarakat dan negara. Justeru kajian ini mengkaji peranan bank koperasi sebagai sebahagian sistem kewangan Islam dengan mengambil fokus khusus Koperasi Co-opbank Pertama Malaysia Berhad.

Sistem kewangan Islam adalah berpasakkan keadilan ekonomi untuk seluruh warga masyarakat. Namun dalam usaha untuk memastikan industri kewangan Islam di negara ini lebih mantap dan mampu berdaya saing sehingga ke peringkat global, sudah tentu terdapat keperluan untuk adanya undang-undang khusus bagi mengawal selia usaha ini. Koperasi Co-opbank Pertama Malaysia Berhad (CBP) adalah sebuah bank koperasi yang ditubuhkan di bawah Akta Koperasi 1993 yang dikawal selia bersama Suruhanjaya Koperasi Malaysia (SKM). Penubuhan institusi kewangan Islam haruslah mempunyai matlamat utama mencapai falsafah ekonomi Islam yang membawa keadilan berasaskan panduan Syariah.

Kajian ini akan menumpukan perbincangan kritis terhadap inovasi kontrak-kontrak Syariah yang diaplikasikan di institusi perbankan Islam di Malaysia dan mengambil kes khusus pengalaman di CBP. Setiap produk yang ditawarkan sama ada menggunakan kontrak ringkas, kontrak hibrid dan kontrak inovatif tidak lari dari berhadapan dengan cabaran pasaran kewangan, operasi, risiko ketidakakuran dan pelbagai bentuk risiko. Risiko yang dihadapi sama ada khusus untuk perbankan Islam atau risiko generik yang juga dihadapi oleh sistem kewangan konvensional bukan patuh Syariah.

Dalam masa yang sama, melihat sumbangan yang telah diberikan oleh Coopbank Pertama terhadap perkembangan sistem kewangan Islam dan koperasi patuh Syariah yang menawarkan produk-produk kepada pelanggan, serta melihat cabaran yang dihadapi. Sistem kewangan Islam bukan sahaja semata-mata berpaksikan keuntungan, malah

perlu melihat sumbangan lebih jauh ke arah pembangunan kebajikan dan sosio ekonomi ummah. Aspek ini turut disentuh dan dikaji dalam kajian ringkas ini.

Pernyataan Masalah

Koperasi Co-opbank Pertama Malaysia Berhad (CBP) menawarkan pelbagai produk kepada pelanggan termasuklah Pembiayaan-i, Deposit-i, ar-Rahnu dan wasiat. Bank Koperasi ini menawarkan produk patuh Syariah dan berusaha mempelbagaikan produk yang lebih patuh Syariah dan kompetetif. Namun, produk inovasi tidak lari dari cabaran dari segi Syariah, perundangan dan cabaran industri yang memerlukan kajian mendalam. Pelbagai rektifikasi juga telah dijalankan dalam usaha memastikan segala perjalanan aktiviti dan perkhidmatan penawaran adalah patuh Syariah. Justeru, kajian ini akan mengkaji sumbangan, cabaran produk-produk CBP dan usaha penambahbaikan termasuk rektifikasi yang diambil dalam usaha memantapkan perkhidmatan agar patuh Syariah dan mengurangkan risiko ketidakakuran.

Insitusi kewangan Islam yang berpaksikan maqasid Shariah haruslah mengutamakan kehendak pemegang taruh, ahli, dan pelanggan untuk mencapai keadilan ekonomi. Kritikan terhadap instusi kewangan Islam termasuk koperasi Islam yang hanya mementingkan keuntungan material haruslah dielakkan (Alhammadi, S., Alotaibi, K.O. dan Hakam, D.F., 2020).

Pasca Pandemik memperlihatkan masyarakat berhadapan cabaran krisis kewangan. Maka atas dasar ini, Bank Negara Malaysia menyeru adalah menjadi tanggungjawab institusi kewangan Islam dan insitusi bukan kewangan Islam mempertingkatkan usaha termasuklah mempromosikan solusi berasaskan nilai (value-based solutions), kepelbagaian kontrak Shariah, dan menyeimbangkan tanggungjawab membina ketahanan sosial. (Ghaffour, A.R. 2021). Produk perbankan Islam tidak lagi boleh tertumpu kepada sesetengah kontrak tertentu malah harus dipelbagaikan.

Peranan Koperasi dalam Pembangunan Instrumen Kewangan Islam

Peranan koperasi dalam memacu perkembangan ekonomi negara amat jelas dan relevan. Namun dalam usaha untuk memastikan sistem kewangan Islam di negara ini lebih mantap dan mampu berdaya saing sehingga ke peringkat global, sudah tentu terdapat keperluan untuk adanya undang-undang khusus bagi mengawal selia usaha ini.

Akta Perkhidmatan Kewangan Islam 2013 [Akta 759] (IFSA), adalah akta yang dirangka khusus bagi mengawal selia industri kewangan Islam dan takaful. Akta ini penting bagi menjamin industri kewangan terus berkembang pesat dan kompetitif serta dapat membantu merangsang kemajuan ekonomi negara yang lebih mampan. IFSA juga mengawal selia institusi-institusi kewangan Islam, sistem kewangan, pasaran kewangan Islam dan juga pertukaran matawang asing bagi memastikan kestabilan kewangan yang patuh Syariah. IFSA turut berperanan menjamin institusi kewangan Islam di Malaysia agar terus relevan dan pada masa yang sama, tetap melindungi kebajikan para pengguna. Isi

kandungan IFSA adalah menyeluruh kerana pada asalnya ia adalah gabungan beberapa stautut, iaitu Akta Bank dan Institusi-Institusi Kewangan 1989, Akta Insurans 1996, Akta Perkhidmatan Parlimen 1963, Akta Kawalan Pertukaran Wang 1953, Akta Bank Islam 1983 dan Akta Takaful 1984 .

Walau bagaimanapun, koperasi mempunyai badan kawal selia yang berbeza dengan institusi perbankan. Akta Koperasi (Pindaan) 2021 [Akta 1634] pula adalah akta yang mengawal atur penubuhan, pendaftaran dan pengawalseliaan koperasi; bagi menggalakkan perkembangan koperasi berdasarkan nilai-nilai kejujuran, kebolehpercayaan dan ketelusan. Dengan adanya akta ini, ia membantu dalam memastikan koperasi dapat menyumbang semaksima mungkin kepada sosioekonomi negara. Akta ini asalnya dikenali sebagai Akta Koperasi 1993 [Akta 502], namun Kementerian Pembangunan Usahawan dan Koperasi telah mengumumkan pindaan kepada Akta Koperasi 1993 (Akta 502) dan kini ianya dikenali sebagai Akta Koperasi (Pindaan) 2021 [Akta 1634]. Pindaan ini membabitkan sembilan peruntukan dalam Akta 502 yang diharapkan akan terus memberi impak positif kepada koperasi dan masyarakat umum secara lebih holistik . Pindaan telah dilakukan agar operasi koperasi yang telah didaftarkan akan menjadi lebih lancar, mudah dan berkualiti, dan pada masa yang sama dapat membantu menjana ekonomi golongan berpendapatan rendah atau B40. Ini adalah selari dengan hasrat kerajaan untuk menggalakkan golongan B40 khususnya, menceburi aktiviti perniagaan melalui koperasi.

Peranan koperasi dalam membangun ekonomi ahli dan masyarakat perlu dilihat selari dengan penubuhan institusi kewangan lain antaranya institusi perbankan sosial. Ruang lingkup, tadbir urus dan ruang lingkup aktiviti yang mempunyai perbezaan namun mempunyai matlamat yang sama. Hasil dan impak institusi kewangan kepada sosial ummah telah menjadi bahan kajian yang perlu diadaptasi dan dikembangkan (Mohd. Nor, S., 2018).

Metodologi Kajian

Kajian ini menggunakan beberapa metodologi kajian yang secara asasnya menggunakan metod kualitatif yang merangkumi beberapa metod seperti berikut:

1. Kajian tekstual yang dilakukan terhadap Akta berkaitan dan Garis Panduan berkaitan Koperasi dan Perbankan Islam terutama GP28. Analasia data juga dilakukan terhadap kompilasi Keputusan Jawatankuasa Syariah bagi melihat inovasi kontrak Syariah yang dilaksanakan di Koperasi Coopbank Pertama.
2. Sesi temuramah juga dilakukan dan temubual separa rasmi bersama Jawatankuasa Kerja Syariah Co-opbank Pertama bagi mengenal pasti operasi, garis panduan, perlaksanaan, kawalan, mitigasi dan proses rektifikasi yang dipraktikkan di Co-opbank Pertama.
3. Kajian ini juga menggunakan teknik deskriptif dalam menghurai sejarah penubuhan dan sumbangan koperasi di peringkat global dan tempatan yang bermatlamatkan meningkatkan ekonomi golongan sasaran melalui kerjasama ahli koperasi.

Kajian Literatur

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Tadbir urus yang baik merupakan kunci kepercayaan anggota ke atas sesebuah koperasi. Tadbir urus koperasi dikaitkan dengan modal insan dalam koperasi yang melibatkan anggota koperasi, kepimpinan koperasi, sistem kawalan koperasi, perundangan dan struktur organisasi koperasi yang menunjukkan mekanisme pelaksana yang kompeten. Artikel ini mengetengahkan satu kajian ini dijalankan untuk melihat keberkesanan pengwujudan dan pematuhan Garis Panduan(GP) yang dikeluarkan oleh Suruhanjaya Koperasi Malaysia (SKM) bagi meningkatkan tadbir urus yang baik dalam koperasi. Sebanyak 35 buah koperasi yang dikategorikan sebagai koperasi berimpak sederhana dan besar oleh pihak SKM telah mengambil bahagian. Kategori ketidakpatuhan kepada GP dinilai apabila didapati ada mana-mana koperasi yang tidak mematuhi walaupun hanya satu peruntukan dalam GP berkenaan. Hasil kajian menunjukkan hanya 13 buah koperasi yang patuh sepenuhnya GP pengurusan koperasi. Namun, secara keseluruhan hasil penyelidikan ini mendapati koperasi tidak mempunyai masalah dan mempunyai komitmen yang tinggi dalam pematuhan GP berkaitan dengan pengurusan koperasi.Bagi menambah baik tadbir urus koperasi, telah dicadangkan pelaksanaan program pematuhan yang dapat membantu meningkatkan tahap kesedaran dan kewaspadaan tentang sebarang risiko ketidak patuhan GP. SKM juga perlu meningkatkan penguatkuasaan ke atas koperasi untuk memastikan koperasi berada di landasan yang betul disamping meningkatkan Ilmu tentang GP dan perundangan koperasi khususnya di kalangan pegawai SKM, MKM dan ANGKASA untuk memastikan maklumat disampaikan kepada koperasi menepati isi maksudnya.

ii) Pelaksanaan Garis Panduan Tadbir Urus Syariah (GP28) Dalam Koperasi Di Malaysia, Mohamad Fadhilah Al Hakkam bin Othman, Nurul Ilyana binti Muhd Adnan, Mat Noor bin Mat Zin, e-Proceedings 1st International Muamalat Conference, 1 Mac 2021

Koperasi sangat penting dalam membantu memajukan ekonomi sesebuah negara. Aktiviti koperasi melalui kewangan dan perbankan, perumahan, pengguna, pengangkutan, perladangan, perindustrian, pembinaan dan perkhidmatan tadbir urus dalam sektor koperasi memainkan peranan yang sangat penting dalam memastikan tanggungjawab, akauntabiliti dan keberkesanan koperasi konvensional dan Syariah. Pihak Suruhanjaya Koperasi Malaysia (SKM) telah mengeluarkan Garis Panduan Tadbir Urus Syariah (GP28) bagi mengukuhkan prinsip syariah dalam sektor koperasi. Namun, terdapat persoalan tentang bagaimana cara tadbir urus Syariah tersebut dilaksanakan. Artikel ini menghuraikan kelemahan dalam garis panduan tadbir urus syariah yang dikeluarkan oleh pihak SKM, menganalisis pengawalseliaan perlaksanaan tadbir urus syariah di koperasi serta mencadangkan kaedah penguatkuasaan terhadap perlaksanaan tadbir

urus Syariah di koperasi agar dapat ditingkatkan. Data juga membuktikan bahawa konsep pemahaman mengenai koperasi patuh syariah masih berada di tahap yang rendah dan perlu diberi perhatian memandangkan majoriti pengendali koperasi diterajui oleh golongan Melayu bumiputera yang beragama Islam. Para penulis juga telah mencadangkan supaya diwujudkan perunding Syariah atau pakar Syariah dalam sektor koperasi yang bertanggunjawab untuk berunding, menasihati, memantau dan mengkaji semula amalan tadbir urus Syariah dalam sektor koperasi. Sistem undang-undang dalam koperasi juga perlu bersifat mandatori bagi memastikan prinsip syariah dipatuhi.

iii) Bai' 'Inah

Bai' 'inah merujuk kepada kontrak yang membabitkan urus niaga jualan dan pembelian semula aset oleh penjual. Dalam urus niaga ini, penjual menjual aset kepada pembeli secara tunai dan kemudian membelinya semula pada harga yang tertunda yang lebih tinggi dari harga jualan tunai. Transaksi ini juga dijalankan di mana penjual menjual aset kepada pembeli pada harga yang tertunda dan kemudian membelinya semula secara tunai pada harga yang lebih rendah daripada harga jualan tertunda.

Bagi pembiayaan di bank yang menggunakan bai' 'inah, Bank akan menjual aset (tanah yang dimiliki oleh bank atau aset lain yang dinasihatkan oleh Bank) kepada pelanggan pada harga jualan yang akan dibayar secara tertunda. Imam Syafi'i membolehkan bai' 'inah kerana telah memenuhi rukun dan syarat dalam transaksasi jual beli meliputi pembeli, penjual, barang/ komoditi yang dijual beli, dan aqad (Tri Wanza, Hamang dan Rusnaena, 2022).

Namun kerelevanan Instrumen pembiayaan berasaskan bai' 'inah menimbulkan kontroversi dalam industri perbankan dan pembiayaan Islam. Walaupun difatwakan haram oleh Akademi Fiqh Islam (OIC), Liga Muslim Sedunia, Accounting and Auditing Organization for Islamic Finance (AAOIFI) dan al-Azhar, namun Majlis Penasihat Syariah Bank Negara Malaysia (MPS BNM) dan Suruhanjaya Sekuriti Malaysia bertegas bahawa instrumen tersebut adalah harus digunakan berdasarkan pandangan al-Shafi'i. Polemik ini berdasarkan majoriti ulama berpendapat bahawa bai' 'inah adalah haram. Imam Malik berhujah jual beli ini tidak sah disebabkan adanya unsur ketidakpastian dan elemen-elemen yang dilarang. Justeru, beliau menggunakan kaedah sadd al-Dhari'ah bagi menghalang keburukan yang lebih besar berlaku (Pamungkas & Huda, 2021). Amir Fazlim Jusoh dan Mat Noor Mat Zain (2017) juga turut membuktikan aplikasi bai' 'inah dalam industri perbankan semasa adalah dilarang, kerana ia bertentangan dengan beberapa objektif syarak berkaitan dengan akad jual beli dan pinjaman tanpa faedah. Pelanggaran terhadap objektif-objektif berkenaan menyebabkan pengharaman instrumen bai' 'inah.

iv) Tawarruq

Tawarruq terdiri daripada dua kontrak jual beli. Transaksi pertama melibatkan penjualan komoditi oleh penjual kepada pembeli secara tangguh. Kemudianya pembeli pada transaksi jualan yang pertama akan menjual komoditi tersebut kepada pihak ketiga secara tunai.

Memandangkan penggunaan bay' al-'īnah sebagai kontrak dalam pembiayaan peribadi telah menimbulkan pelbagai reaksi para sarjana khususnya para sarjana dari Timur Tengah, maka bank-bank di Malaysia seperti Bank Rakyat, BIMB dan Am Bank antara instutusi kewangan Islam terawal beralih kepada penggunaan prinsip tawarruq untuk menggantikan prinsip bai' 'inah dalam produk pembiayaan yang ditawarkan oleh mereka. Namun begitu, kontrak tawarruq juga menimbulkan perbezaan pandangan dikalangan fuqaha, sesetengah mereka mengatakan konsep tawaruq ini tidak menepati konsep Shariah, khususnya elemen "tawaruq munazzam" iaitu institusi kewangan bertindak menguruskan atau mengatur perjanjian kepada pihak ketiga (Alkhan & Hassan, 2019).

Roslan et al (2020) dan Amin dan Hassan (2022) berpendapat penggunaan tawarruq telah berleluasa di semua peringkat institusi kewangan Islam dalam mahupun luar negara. Modus operandi transaksi tawarruq dipercayai antara instrument bersifat praktikal dan mempunyai prospek masa depan dalam era Fintech, khususnya kebolehterimaan milenial terhadap tawarruq dalam pelbagai produk yang memerlukan kecairan wang tunai.

Dengan perkembangan pembiayaan komoditi Islam (tawarruq) sebagai konsep yang paling popular dalam industri perbankan Islam Malaysia. Namun begitu, penggunaan tawarruq secara meluas telah menimbulkan beberapa kebimbangan Sharīʿah dalam amalannya. Ali dan Hassan (2020) telah menganalisa fenomena tidak patuh Syariah (Shariah Non-Compliance) dalam amalan pembiayaan tawarruq di Malaysia. Hasil kajian mendapati sesetengah amalan tawarruq di Malaysia mungkin tidak mematuhi Syariah, terutamanya disebabkan oleh urutan kontrak (sequencing of contracts) yang tidak tepat. Selain daripada itu, kajian mendapati bahawa institusi kewangan Islam menggunakan pendekatan yang berbeza dalam menangani keadaan ketidakakuran dan pendapatan yang diperoleh daripadanya

Kontrak Muamalat dan Cabaran Adaptasi Di Cbp

Bahagian ini akan menilai perkembangan kontrak muamalat yang diaplikasi di bank-bank Islam termasuklah koperasi Islam tanpa membahaskan secara detail tentang konsep klasik setiap kontrak yang dipraktikkan. Bahagian ini memfokuskan kepada isu utama, iaitu perkembangan kontrak inovasi dan isu keterbegantungan yang tinggi terhadap konsep tawarruq dalam institusi kewangan Islam bagi produk pembiayaan dan deposit. Ini selaras dengan seruan Bank Negara Malaysia agar institusi kewangan mempelbagaikan akad kontrak yang digunakan demi kelestarian industry. Dalam masa

yang sama bahagian ini membincangkan cabaran setiap kontrak dalam produk yang ditawarkan di institusi perbankan dan institusi bukan perbankan Islam.

Kontrak Inovasi Syariah dalam Perbankan Islam dan Bank Koperasi.

Perlaksanaan sistem kewangan Islam adalah bersandarkan dalil Syarak. Secara asasnya, elemen haram riba, gharar dan maysir wajib dijauhi. Ini adalah perbezaan utama antara perbankan konvensional yang bersandarkan hukum semasa manakala perbankan Islam adalah bersandarkan dalil Syarak.

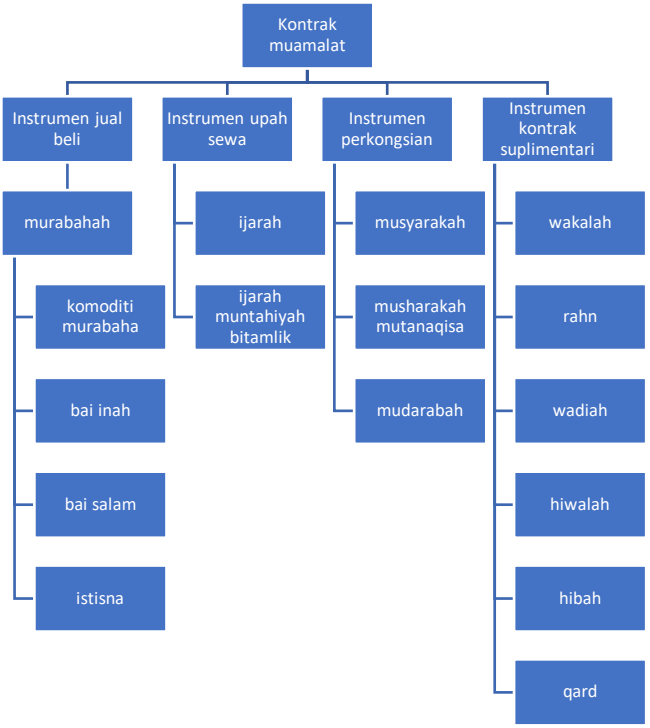
Aktiviti perniagaan institusi kewangan Islam begitu mencabar berbanding dengan institusi kewangan konvensional yang rata-rata adalah berasaskan sistem riba sama ada dalam produk simpanan deposit, pelaburan atau pembiayaan. Institusi kewangan Islam mempunyai tanggungjawab berkongsi risiko untung rugi dengan pelanggan untuk menjustifikasikan untung yang diambil.

Infrasruktur kewangan Islam telah berkembang sejak 40 tahun lalu dan diperkukuhkan dengan pengeluaran standard dan penubuhan institusi pengawal selia. Institusi pengeluar standard kewangan Islam antarabangsa telah ditubuhkan. Sejak 1991, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) yang berpengkalan di Bahrain, mengeluarkan standard berkaitan perakaunan, audit dan Syariah untuk laporan kewangan bagi institusi kewangan Islam. Kontrak klasik Syariah diaplikasikan dalam dunia kewangan Islam pada hari ini.

Kontrak Syariah yang dibincangkan dalam fekah muamalat klasik secara umumnya terbahagi kepada beberapa kategori. Para ulama dan pengkaji fekah muamalat tidak sepakat dalam pembahagian kontrak ini, namun secara asas boleh dibahagikan kepada empat kategori di bawah merangkumi;

1. Kategori muawadat (pertukaran) yang terbahagi kepada dua; jual beli dan upah sewa
2. Kategori musharakat (perkongsian) terbahagi kepada dua; Syarikat usahama dan pelaburan
3. Kategori kebajikan dan pemberian; termasuklah hibbah, waqf, qard, ibra'
4. Kategoti tambahan; kafalah, rahn, hiwalah, wadiah, wakalah, jualah, muqasah.

Gambarajah 1: Kontrak muamalat yang diaplikasikan dalam industri perbankan Islam dan takaful boleh dirumuskan seperti diagram di bawah:



(Sumber: Para penyelidik)

Di Malaysia, the Islamic Financal Services Board telah ditubuhkan pada 2002. Majlis Penasihat Syariah (MPS) Bank Negara pula telah ditubuhkan pada tahun 1997 sebagai badan wibawa tertingi dalam memutuskan semua perkara berkaitan industri perbankan Islam dan takaful. Walaupun bank koperasi adalah tertakluk di bawah SKM, namun GP telah Menetapkan bahawa aktiviti bank koperasi hendaklah selaras dengan polisi Syariah Bank Negara Malaysia.

Mandat MPS diperuntukkan di bawah Seksyen 52 Akta Bank Negara Malaysia 2009 (Akta) seperti berikut; menentukan hukum Syariah mengenai perkara-perkara kewangan dan mengeluarkan keputusan apabila perkara tersebut dirujuk kepadanya; menasihati Bank mengenai isu-isu Syariah yang berhubung dengan perniagaan kewangan Islam, aktiviti atau urusniaga Bank; dan, memberi nasihat kepada institusi kewangan Islam atau orang lain sebagaimana yang diperuntukkan di bawah mana-mana undang bertulis.

Berikut adalah antara Polisi Dokumen kontrak muamalat yang telah dikeluarkan oleh Bank Negara Malaysia:

- Murabahah pada 23 Disember 2013
- Musyarakah, Mudarabah pada 20 April 2015
- Istisna pada 23 Disember 2015
- Wakalah pada 24 Jun 2016
- Wadi'ah pada 3 Ogos 2016
- Kafalah pada 13 April 2017
- Qard pada 26 Februari 2018
- Ijarah pada 29 Jun 2018
- Tawarruq pada 28 Disember 2018

Polisi Dokumen Shariah Governan yang berkuatkuasa 1 April 2020 memperkukuhkan tadbir urus dan memperkemas integrasi penilaian Syariah dalan aktiviti bisnes dan strategi pengurangan risiko di institusi kewangan Islam.

Aplikasi kontrak pendasar di bank-bank Islam

Bank-bank Islam mengaplikasikan pelbagai jenis kontrak muamalat sebagai kontrak pendasar dalam produk yang ditawarkan. Jika dilihat laporan Bank Negara Malaysia sehingga Disember 2023, berikut adalah kontrak dalam produk pembiayaan yang ditawarkan di bank-bank Islam:

Sistem Perbankan Islam: Pembiayaan Mengikut Kontrak Syariah Seringa 2023 (RM 'juta)

Nama Kontrak	Bai' 'inah	Pembiayaan Ijarah (Ijarah muntahiah bitamlik; ijarah thumma al bai', ijarah mawsufah fi zimmah, lain-lain)	Istisna' (istisna' selari dan lain-lain)	Urusniaga Mudarabah	Murabahah (Murabahah kepada pemesan belian dan lain-lain)	Pembiayaan musyarakah (Musyarakah mutanaqisah dan lain-lain)	Qard (Qard tunggal dan gabungan)	Tawaruq	Jumlah Keseluruhan
JUMLAH RM JUTA	15941.9	124,191.9	582.4	166.3	99,189.7	78010.3	4190.6	532,712.5	878,388.2

(Sumber: Bank Negara Malaysia 2023)

Daripada data terkini, ini jelas menunjukkan bahawa produk pembiayaan yang berdasarkan konsep tawarruq lebih banyak mendominasi bank-bank Islam di Malaysia. Secara ringkas, kertas ini akan menganalisa beberapa kontrak dasar pembiayaan yang ditawarkan di bank-bank Islam di Malaysia dan koperasi Malaysia khususnya dalam memberikan cadangan dan alternatif kepada tawarruq. Walaupun tiada data terkini, penyelidik boleh meramalkan bahawa tren yang sama juga menguasai koperasi-koperasi Islam memandangkan konsep tawarruq lebih berisiko rendah dan memudahkan proses pengurusan dokumentasi.

Berdasarkan data maklumat daripada Islamic Financial Services Board (IFSB) bahawa Malaysia telah melengkapkan empat tahap perkembangan sektor perbankan Islam, iaitu; peringkat awal memperlihatkan pengenalan kontrak mudah dan langsung termasuklah Wadiah untuk deposit dan Bai Bithaman Ajil untuk produk pembiayaan. Pada tahun 1993, sistem kewangan Islam memasuki fasa seterusnya dengan memasuki segmen korporat dan pasaran kewangan dan modal Islam. Peringkat ketiga yang bermula pada 1999 telah memperlihatkan kontrak hybrid mula diperkenalkan antaranya Ijarah Muntahiyah Bi Tamlik dan kad kredit kad Islam. Peringkat keempat memperlihatkan kontrak-konrak yang lebih komplikated dan intensif untuk produk kewangan Islam mula diperkenalkan seperti Musharakah Mutanaqisah, pembiayaan Mudharabah dan instrumen hedging begitu juga produk derivatif.

Antara kontrak dalam sistem kewangan Islam:

1) Murabahah

Sebagai contoh, kontrak murabahah digunakan secara meluas dalam kontrak pembiayaan peribadi dan pasaran modal. Kes mahkamah yang melibatkan murabahah juga ada direkodkan. Puneri dan lain-lain (2019) mengemukakan analisa bahawa dalam kes mahkamah yang melibatkan kontrak murabahah bahawa hakim lebih menekankan isu prosedur berbanding substance dan apabila prinsip Islam tidak selari dengan undang-undang Persekutuan, maka undang-undang Persekutuan akan digunakan. Hakim mahkamah di Malaysia menggunakan konsep penghakiman terdahulu dalam menentukan kes mahkamah yang seterusnya.

Bank Negara juga telah memperkenalkan murabahah bercagar (collaterised murabahah) pada 30 Mei 2012 sebagai instrument kewangan. Murabahah bercagar adalah pembiayaan patuh Syariah yang dijamin dengan asset di mana pemberi dana mempunyai hak untuk menjual aset sekiranya pelanggan gagal membayar semula pembiayaan. Ia adalah konsep yang diterima meluas dalam pembiayaan sukuk yang mempunyai asset yang dicagarkan. Murababah bercagar merupakan instrument kewangan berisiko rendah yang sesuai untuk pasaran modal.

2) Tawarruq

Kontrak tawarruq diperkenalkan agak lewat berbanding kontrak asas muamalah yang lain. Walaupun tawarruq diperkenalkan di negara Arab Saudi, dan mula mendapat popularity di Timur Tengah, aplikasi tawarruq hanya dibenarkan dengan syarat aplikasi dan dawabit yang ketat. Ia tidak dibenarkan untuk tujuan mengaut keuntungan. Kritikan terhadap tawarruq berkisar tentang kontrak ini yang bersifat berasaskan hutang berbanding aktiviti perniagaan sebenar seperti Ijarah dan Istisna, maka Tawarruq dilihat seperti BBA yang menjadi replikasi kepada aktiviti pembiayaan dan pelaburan bank konvensional yang berasaskan riba.

Kebergantungan terhadap Tawarruq jelas dipaparkan dalam laporan Bank Negara Malaysia 5 tahun kebelakangan ini. Tawarruq menjadi pilihan utama institusi kewangan bagi produk pembiayaan peribadi dan pembiayaan aset dalam pembinaan. Perbezaan tawarruq dan bay' inah ialah penambahan pihak ketiga dalam urusniaga manakala bay' inah hanya memerlukan dua pihak dalam urusan jual dan pembelian semula.

Projek pembiayaan perumahan sebagai contoh, boleh dikategorikan kepada tiga; sewaan. Pembiayaan berasaskan hutang dan pembiayaan ekuiti. Istisna' dan tawarruq adalah di bawah kontrak hutang, musharakah di bawah ekuiti dan ijarah di bawah sewaan. Konsep tawaruq amat sesuai bagi tujuan pengurusan kecairan dan bagi tujuan memperolehi tunai bukan aset (Roslan dan lain-lain, 2020 dan Ibrahim & Mohd Sapian, 2021). Dalam masa yang sama pembiayaan tawarruq tidak memerlukan cagaran. Kajian juga mendapati produk berasaskan tawarruq mengurangkan dokumentasi pembiayaan sekurang-kurangnya 1% dari keseluruna jumlah pembiayaan. Di

Malaysia, platform elektronik untuk urusniaga tawarruq telah diperkenalkan. Kemudahan platform ini boleh mengesahkan pembelian dan penjualan komoditi berdasarkan sijil yang dikeluarkan. Antara komiditi yang sering digunaka ialah minyak mentah, plastik resin (Roslan dan lain-lain, 2020) dan komoditi selain barang ribawi juga boleh digunakan.

Atas sebab dokumentasi, rendah risiko, maka tawarruq menjadi pilihan kebanyakan bank Islam dan koperasi-koperasi Islam bagi produk pembiayaan dan deposit tetap kerana modal dan keuntungan yang tetap dan dijamin, berbanding akad pendasar mudarabah dan musharakah. Walau bagai manapun, produk berasaskan tawarruq berhadapan dengan risiko ketidakakuran yang tertinggi selepas BBA/Bay al Inah.

3)Musharakah Mutaqisah

Musharakah mutanaqisah yang mula diluluskan oleh BNM 2006 adalah salah satu projek pembiayaan ekuiti yang dilihat lebih patuh pada ruh Syariah menggantikan produk pembiayaan berasaskan BBA. BBA telah mendapat kritikan meluas terutama jika penggunaanya terhadap projek atau aset yang masih belum selesai dibina. Dalam masa yang sama, BBA dikritik kerana ketidak tentuan dalam penetapan keuntungan yang tinggi. Musharakah mutanaqisah dari segi istilah pula membawa maksud satu konsep akad pensyarikatan, iaitu antara pihak pembiaya yang merupakan rakan kongsi, memberi hak kepada rakan kongsinya iaitu pelanggan untuk memiliki aset dengan sekali atau beberapa kali bayaran iaitu secara beransur-ansur, berdasarkan syarat-syarat yang dipersetujui oleh kedua-dua belah pihak (Shuib dan lain-lain, 2011). Musharakah mutanaqisah juga adalah suatu kontrak Musharakah yang dibentuk dan ditentukan perpindahan hak milik dari suatu pihak kepada pihak yang lain hingga berakhir dengan pemilikan sepenuhnya pihak yang menerima pindahan hak milik (pihak yang dibiayai) secara tunggal.

Antara bank terawal yang mengaplikasikan musharakah mutanaqisah ialah Kuwait Finance House (Malaysia) Berhad (KFHMB) dan diikuti oleh RHB Islamic, Affin Islamic, Maybank Islamic dan HSBC. Affin Islamic Bank Berhad, Al Rajhi Banking & Investment Corporation (Malaysia) Berhad, AmIslamic Bank Berhad, Asian Finance Bank Berhad, Bank Islam Malaysia Berhad (BIMB), Bank Muamalat Malaysia Berhad (BMMB), CIMB Islamic Bank Berhad, EONCAP Islamic Bank Berhad, Hong Leong Islamic Bank Berhad (HLIBB), Maybank Islamic Berhad (MIB) (Bank Negara, 2008).

Musharakah mutanaqisah dilihat sebagai konsep yang lebih ideal terutama dari segi perkongsian risiko antara bank dan pelanggan, dan memperlihatkan sisi tanggungjawab bank sebagai pemilik harta secara bersama. Namun, cabaran yang dihadapi oleh bank adalah isu dokumentasi yang lebih komplikated dan isu pemilikan harta dalam tempoh pembiayaan. Secara teorinya, aset adalah dimiliki secara bersama oleh pihak Bank sehinggalah tempoh pembiyaan berakhir dan perkongsian akan berubah beransur-ansur berdasarkan pembayaran yang dibuat oleh pelanggan. Secara teorinya, Bank perlu menanggung kos aset dan risiko berkaitan aset dalam pembiayaan. Antara cabaran lain yang terbesar adalah sekiranya berlaku kemelesetan ekonomi dan perubahan pada kadar dan cabaran berlaku kemungkinan. (Shuib dan lain-lain, 2011)

Selain itu, antara cabaran musharakah mutanaqisah adalah kadar pembayaran adalah bergantung pada kadar sewaan yang seharusnya berbeza. Bank terpaksa menguruskan dokumentasi sepanjang tempoh sewaan berdasarkan kadar sewaan dan perubahan kos yang berterusan sepanjang tempoh pembiayaan. Maka, atas sebab ini musharakah mutanaqisah semakin kurang popular berbanding pembiyaan tawarruq. Namun secara praktisnya, bank mengikat kadar sewa dalam produk musharakah Mutanaqisah berdasarkan kadar interest yang mana menyebabkan dari segi mekasnisme pentuan harga dan kadar pembayaran tidak jauh berbeza dengan BBA.

3) Istisna'

Kontrak istisna' adalah salah satu kontrak unik yang bersesuai untuk memnberikan pembiayaan bagi pembelian aset, jentera atau peralatan yang ingin dibangunkan atau dibina. Maka istisna' adalah kontrak dilihat paling sesuai bagi industry pembuatan dan binaan. Antara contoh pembiayaan istisna di Malaysia ialah pembinaan Kuala Lumpur Light Transit (LRT). Walau bagaimanapun, kontrak istisna' tidak begitu banyak diaplikasikan berbanding konsep tawarruq dan murabahah di Malaysia berdasarkan data BNM yang dipaparkan sebelum ini. Kontrak istisna' sebenarnya amat bersesuaian untuk diaplikasikan dalam pelbagai sektor khusus, sama ada mengaplikasikan istisna' atau istisna' selari. Dalam konsep istisna' selari, pihak pembiaya iaitu bank tidak membina bangunan atau projek, atau tidak mengeluarkan produk, tapi pihak bank mengarahkan pihak ketiga membina dan mengeluarkan projek yang dibiayai. Walau bagaimanapun, kebanyakan institusi kewangan dilihat keberatan menawarkan produk berasaskan istisna' kerana risiko sekiranya projek gagal disiapkan, maka institusi kewangan yang harus menanggung kerugian.

Antara sebab keengganan pihak institusi kewangan menawarkan pembiayaan istisna; pembiaya bertanggungjawab sepenuhnya apabila berlaku kegagalan menyiapkan projek dan pembiaya bertanggungjawab sepenuhnya apabila terdapat masalah yang timbul termasuklah kerosakan pembinaan atau pembuatan.

Namun haruslah difahami, di dalam Islam, setiap keuntungan itu disertai dengan risiko, berdasarkan kaedah al ghunmu bi al gurmi. Syariah menetapkan bahawa setiap keuntungan dan kerugian adalah ditanggung berdasarkan usaha pihak yang terlibat. Namun, mengetahui tabiat insitusi perbankan adalah menjauhi risiko, maka atas sebab itu, kontrak yang kurang berisiko lebih menjadi pilihan.

Kajian dibuat oleh Hasmawati dan Mohamad (2018) untuk menilai istisna' dari segi keuntungan, risiko, keperluan pasaran dan cabaran. Kelebihan istisna' ialah boleh ditawarkan bagi membiayai projek atau aset yang belum wujud atau belum dibina sama seperti kontrak salam. Maka ini adalah kontrak paling sesuai bagi pembiayaan projek yang belum dijalankan. Namun, risiko kepada pihak pembiaya adalah sangat tinggi sekiranya projek gagal disempurnakan yang menyebabkan kontrak ini tidak menjadi pilihan.

Walau bagaimanapun, terdapat bank menjalankan mekanisme saringan risiko yang sangat tinggi, menilai dan menyaring hanya kontraktor atau syarikat yang

mempunyai reputasi terbaik sahaja. Kajian yang dijalankan mendapati kebanyakan bank enggan memasarkan produk istisna kerana masalah risiko sangat tinggi; risiko projek tidak disempurnakan, risiko barang atau aset tidak memenuhi spesifikasi, dan risiko yang menyebabkan pelanggan memilih untuk membatalkan kontrak. (U) Dalam masa yang sama, terdapat bank yang enggan menawarkan istisna kerana sukar memenuhi syarat ketat yang ditentukan oleh BNM dan penalty yang sangat tinggi sehingga RM25 juta sekiranya tidak memenuhi kriteria dan melanggar akta yang ditetapkan.

Kajian Hasmawati dan Mohamad (2018) ini juga mencadangkan inovasi istisna' dengan akad wakalah dan istisna' dengan akad ijarah mawsufah fi al-zimmah.

Kontrak inovasi istisna dan wakalah, akan mengkehendaki dua akan istisna' antara pelanggan dan bank, dan bank dengan kontraktor. Pelanggan juga akan menjadi wakil kepada bank untuk memantau projek istisna'. Pelanggan sebagai wakil bank akan memantau projek yang bertepatan dengan spesifikasi. Dalam masa yang sama, pelanggan melanggan takaful untuk projek pembiayaan istisna' ini bagi melindungi sebarang ketidaksempurnaan projek.

Dalam proposal kedua, istisna' dan ijarah mawsufah fi al-zimmah, pelanggan akan membeli projek atau aset terlebih dahulu dan menjadi pemilik pertama. Seterusnya bank membeli aset dan membayar harga penuh dengan akad istisna' kepada pelanggan. Pelanggan seterusnya menyewa aset sepanjang tempoh pembinaan dan apabila aset dan produk disiapkan, aset atau produk akan dipindah milik kepada pelanggan.

Ini adalah contoh bagaimana produk-produk kewangan Islam boleh mempelbagaikan alternatif kontrak selain kebergantungan kepada tawarruq terutama bagi tujuan selain mendapatkan tunai atau modal perniagaan.

Sumbangan Co-Opbank Pertama Dalam Inovasi Kontrak Dan Produk Islam

Sumbangan terhadap inovasi kontrak Syariah

Dalam bahagian ini, kita akan lihat dan menilai sumbangan CBP dalam penawaran produk kewangan Islam dengan mengaplikasikan kontrak-kontrak patuh Syarak.

Sebagai sebuah koperasi Islam, Co-opbank Pertama menawarkan beberapa produk berasaskan kategori berikut:

1. Pembiayaan Peribadi
2. Pembiayaan Kooperasi dan Korporat
3. Deposit-i
4. Ar-Rahnu
5. Perancangan Kewangan

Pembiayaan Peribadi/Runcit	
Nama Produk	Kontrak Pendasar
Pembiayaan Peribadi-I Lestari	*Tawarruq* (bagi pinjaman maksima RM200 ribu selama 10 tahun)
Pembiayaan Peribadi-I Yasser	*Tawarruq* (bagi pinjaman maksima maksima 400ribu)
Perumahan-I Al-Amali	*Murabahah Tawarruq*
Hartanah-I Ar-Rahah	*Murabahah Tawarruq*

Pembiayaan Koperasi/Korporat	
Nama Produk	Kontrak Pendasar
Pembiayaan Berjangka	*Tawarruq*
Pembiayaan Koperasi Kredit (sehingga RM40 juta)	*Tawarruq*
Pembiayaan Hartanah sehingga RM40 juta	*Tawarruq*
Pembiayaan Modal Kerja	*Tawarruq*
Pembiayaan-I Kontrak	*Tawarruq* (*murabahah* di bawah pengaturan konsep *tawarruq*)
Pembiayaan Penyambung	*Tawarruq* (*murabahah* di bawah pengaturan konsep *tawarruq*)

(Sumber: laman web CBP)

CBP juga menawarkan pembiayaan kontraktor/pembekal yang dianugerahkan kontrak daripada Kerajaan/GLC/Syarikat Senaraian awam terpilih menerusi produk Pembiayaan Pemfaktoran-I menggunakan kontrak; Bay al Dayn bi al sila' dan Surat jaminan-I CBP.

Pembiayaan Peribadi

Kontrak Syariah yang terpakai ialah murabahah di bawah pengaturan konsep tawarruq. Berlandaskan prinsip Syariah Murabahah (di bawah pengaturan konsep tawarruq atau dikenali sebagai komoditi murabahah) yang mana berdasarkan wa'd daripada pihak pelanggan, Co-opbank Pertama (CBP) akan membeli komoditi daripada pihak pembekal komoditi dan seterusnya menjual komoditi kepada pelanggan berlandaskan kontrak murabahah pada harga jualan (kos komoditi berserta keuntungan) secara tangguh dan kemudian, sebagai agen pelanggan, CBP menjual komoditi tersebut kepada pembeli pihak ketiga pada harga yang bersamaan margin pembiayaan secara tunai. Kutipan tunai daripada pembeli pihak ketiga ini akan dimasukkan ke

dalam akaun pengeluaran pembiayaan pelanggan. Jenis komoditi yang digunapakai adalah komoditi (bukan ribawi) yang ditawarkan oleh komoditi platform yang disahkan patuh Syariah oleh Penasihat Syariah platform dan CBP.

Pembiayaan perumahan dan hartanah

Kontrak Syariah ialah murabahah komoditi. Kemudahan Pembiayaan adalah di bawah prinsip Syariah Murabahah komoditi (melalui pengaturan konsep tawarruq) di mana berdasarkan wa'd daripada pihak pelanggan, CBP akan membeli komoditi daripada pihak pembekal komoditi dan seterusnya menjual komoditi kepada pelanggan berlandaskan kontrak murabahah pada harga jualan (kos komoditi berserta keuntungan) secara tangguh dengan memeterai Perjanjian Jualan Murabahah dan kemudian, sebagai wakil pelanggan, CBP menjualkannya kepada pembeli pihak ketiga dengan cara tunai. Kutipan tunai daripada pembeli pihak ketiga ini akan dikeluarkan kepada pelanggan melalui cara yang dipersetujui. Jenis komoditi yang digunapakai adalah Crude Palm Oil (CPO) dan Plastic Resin (PE) dan lain-lain yang dibenarkan oleh prinsip Syariah.

Apa yang menarik bagaimana CBP mengaplikasikan konsep hibah kepada pelanggan yang membayar ansuran bulanan mengikut jadual bersumberkan dari dana perbelanjaan pemasaran dan bukan ditolak dari jumlah ansuran pembiayaan dengan pelanggan untuk mengelakkan daripada terjatuh ke dalam hukum riba. Hibah hanya diberikan kepada pelanggan yang melunaskan ansuran bulanan pada setiap tahun tanpa sebarang kelewatan sehingga tamat pembiayaan. Dalam masa yang sama, pemansuhan caj pemprosesan adalah sangat digalakkan atas dasar transaksi telah mengambil keuntungan daripada harga jualan murabahah.

Manakala pembiyaan Korperasi dan korporat adalah menggunakan kontrak seperti berikut:

Pembiayaan Berjangka i

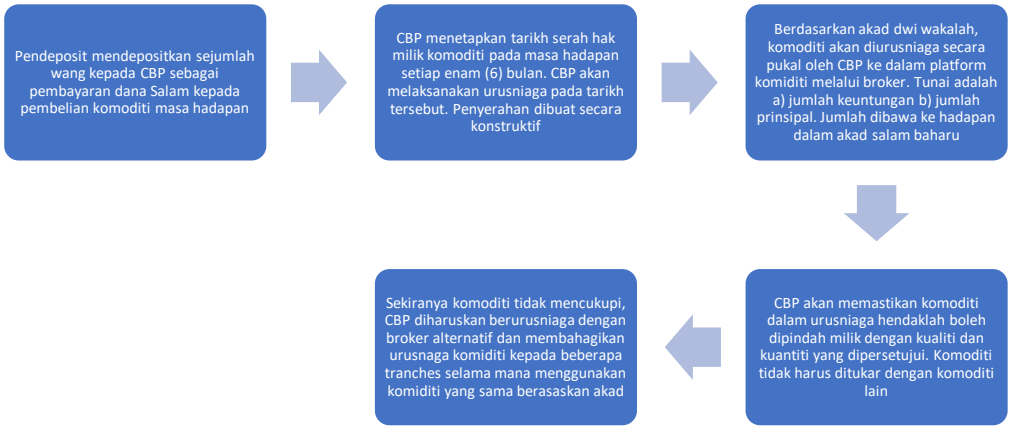
Konsep Syariah yang terpakai ialah murabahah di bawah pengaturan konsep tawarruq. Berlandaskan prinsip Syariah murabahah (di bawah pengaturan konsep tawarruq atau dikenali sebagai komoditi murabahah) yang mana berdasarkan wa'd daripada pihak pelanggan, Co-opbank Pertama (CBP) akan membeli komoditi daripada pihak pembekal komoditi dan seterusnya menjual komoditi kepada pelanggan berlandaskan kontrak murabahah pada harga jualan (kos komoditi berserta keuntungan) secara tangguh dan kemudian, sebagai agen pelanggan, CBP menjual komoditi tersebut kepada pembeli pihak ketiga pada harga yang bersamaan margin pembiayaan secara tunai. Kutipan tunai daripada pembeli pihak ketiga ini akan dimasukkan ke dalam akaun pengeluaran pembiayaan pelanggan. Jenis komoditi yang digunapakai adalah komoditi (bukan ribawi) yang ditawarkan oleh platform komoditi yang disahkan patuh Syariah oleh Penasihat Syariah platform dan CBP.

Selain itu, CBP juga menawarkan Pembiayaan Kredit Pusingan-i Tadwiri adalah kemudahan pembiayaan jangka pendek patuh Syariah untuk memenuhi keperluan kewangan Pelanggan terutamanya untuk menjalankan perniagaan seperti modal operasi (OPEX). Konsep Syariah yang digunapakai untuk pembiayaan ini ialah wakalah boleh ubah kepada komoditi murabahah. Pada peringkat akad Wakalah, CBP berperanan sebagai penyumbang modal manakala pelanggan berperanan sebagai pengurus perniagaan. Sekiranya berlaku peristiwa pencetus (triggered event), proses pertukaran akad kepada komoditi murabahah akan berlaku dan pelanggan bertanggungjawab untuk menyelesaikan Harga Jualan kepada CBP. Sekiranya tidak berlaku sebarang peristiwa pencetus (triggered event), konsep wakalah akan kekal terpakai kepada pembiayaan ini.

Selain produk pembiayaan yang rata-rata bergantung dengan konsep tawarruq, CBP memperkenalkan

menawarkan produk Akaun Simpanan-I Salam dan Deposit-I Berjangka yang agak unik. Produk Akauan-I Simpanan-I Salam adalah berasaskan gabungan kontrak salam dan tawarruq.

Produk Simpanan Salam CBP



(Sumber: Laman web CBP, Resolusi dan diagram penyelidik, 2024)

Selain daripada inovasi kontrak Salam dalam produk deposit, CBP juga mengambil langkah inovasi dalam produk Jaminan Bank-I Tijari dengan menggunakan konsep Wakalah berbanding konsep Kafalah. Ini kerana CBP berpendapat konsep Kafalah mempunyai perselisihan hukum pada isu komisyen jaminan bank. Dalam produk ini, CBP sebagai wakil yang diberikan mandat oleh pelanggan untuk menerbitkan surat jaminan (atas zimmah Amanah berbanding zimmah dhamanah) dan menguruskan

tuntutan semasa terdapat benefisiari pihak ketiga dengan menggunakan 100 peratus tunai margin yang dikirim pelanggan dalam akaun simpanan Qard-I di CBP. Kadar upah yang ditentukan berteraskan yuran khidmat atas tugasan dan kerja oleh CBP sebagai wakil.

Ar-Rahnu

Produk Ar-Rahnu CBP juga melalui fasa penambahbaikan selari dengan institusi kewangan Islam lain. Caj upah tidak lagi dikenakan, dan produk Ar-Rahnu ditawarkan menggunakan konsep komiditi Murabah (sebagai akad yang membentuk keberhutangan dan memberi keuntungan kepada CBP). Mekasnisme perlaksanaan produk ini adalah seperti berikut:

a) Urusniaga komiditi Murabahah dilakukan secara pukal dengan mekanisme dwi wakalah pada hari akhir waktu perniagaan CBP atau bila-bila masa yang tidak melebihi T+2 dari Tarikh gadaian. Sebarang pengeluaran pembiayaan semasasa di premis Ar-Rahnu dianggap sebagai pendahuluan harga komoditi yang dilupuskan kepada broker.
b) Apa-apa keuntungan terakru CBP tidak boleh melebihi harga jualan Murabahah yang ditetapkan dan dipersetujui bersama. Pengakruan keuntungan hendaklah terhenti apabila keuntungan telah mencapai had maksima walaupun barangan belum ditebus.
c) Penggadai yang mungkir boleh dikenakan ta'widh kecuali kepada pelanggan yang berhadapan dengan kesukaran. Ini adalah langkah ihsan yang dikenakan ke atas pengguna bersesuaian dengan prinsip rukhsah zu usratin.
d) Sebarang kekurangan daripada lelongan marhun akibat kejatuhan harga emas, akan dituntut daripada pelanggan.
e) Manakala sebarang kelebihan akan dipulangkan kepada pelanggan. (Resolusi Julai-Disember 2019) Edisi 2

Pendekatan CBP dalam memasarkan dan mempromosikan produk ini dilihat teliti dengan garis panduan. Dalam Kempen Ar-Rahnu (Simpan dan Menang) CBP mengambil langkah berhati-hati agar sebarang bentuk galakan, publisiti, kempen, dilakukan menepati Syariah. CBP telah membuat migrasi akad alternatif kepada akad Murabahah dalam Resolusi Syariah No 10/2020 dengan beberapa ketetapan antaranya:

- Kaedah pemetraian akad Murabahah hendaklah diseragamkan bagi kedua-dua jenis mode transaksi real time trading atau bulk trading dengan perlaksanaan akad dwi wakalah
- Mode transaksi normal (real time trading) boleh dilaksanakan di premis Ar-Rahnu
- Mode transaksi kontigensi (bulk trading) dengan pengeluaran pembiayaan secara pendahuluan (incidental Qard) harus dilaksanakan di ibu pejabat CBP dengan syarat wujud mitigasi risiko operasi dalam sistem autimasi yang menjamin tiada kegagalan urusniaga komoditi

- Harga jualan murabahah bagi mode transaksi kontigensi hendaklah dikecualikan dengan pengiraan keuntungan bagi tempoh 'grace period' T+2 untuk mengelakkan unsur riba dan gharar dalam tempoh incidental Qard.
- Ibra wajib atas keuntungan tertangguh belum terakru termasuk perbezaan kadar keuntungan siling dan kadar efektif hendaklah diberikan kepada penggadai yang melakukan penebusan selaran dengan garis panduan ibra'
- Caj ta'widh juga harus dikenakan kepada penggadai yang mumathil (sengaja melewat-lewatkan) dan hendaklah dikecualikan kepada penggadai yang mu'sir (mengalami kesukaran)
- Caj tambahan berasaskan fi dan yuran seperti yuran wakalah bagi transaksi tawarruq adalah harus dikenakan secara inklusif atau ekslusif secara kadar bertingkat dengan syarat caj keseluruhan yang dikenakan CBP berbanding operator ar-Rahnu lain adalah kadar semasa.
- Caj lelongan yang dikenakan kepada penggadai hendaklah dibuat pendedahan
- CBP tidak boleh sengaja melewatkan lelongan bagi memanipulasi dan mengeksploitasi pendapatan terakru dan ta'widh sehingga mencecah kadar siling harga jualan supaya tiada baki lelongan dipulangkan kepada penggadai
- Jika harga emas meningkat, dan meningkatkan kos Takaful perlindungan emas, CBP berhak membuat penyelarasan kadar keuntungan dalam kadar efektif bagi gadaian tempoh 6 bulan kedua dengan syarat kenaikan tidak melebihi kadar siling.
- Jika kadar margin pembiayaan yang dimohon adalah tidak munasabah untuk menanggung kos takaful perlindungan emas, CBP berhak mengenakan caj keuntungan surcaj tambahan dengan syarat kadar tersebut tidak melebihi kadar siling.

Selain itu, CBP menawarkan pembiayaan berasaskan konsep bai' manfaah untuk pembiayaan haji dan umrah selain daripada konsep murabahah atau ujrah yang popular. Produk ini telah diluluskan oleh Jawatankuasa Syariah pada 2019 dengan syarat: penerima biaya hendaklah mempunyai pola pendapatan yang tetap, perlindungan Takaful hendaklah diwajibkan supaya keberhutangan diselesaikan oleh Takaful jika mereka meninggal dunia dengan manfaat badal haji. Konsep Bai' Al-Manfaat Lil Khadamat adalah dibolehkan sebagai konsep pendasar dengan servis perkhidmatan haji dianggap khadamat yang dijadikan ma'qud alaih kepada jual beli pakej secara bayaran ansuran. Dengan kata lain, pelanggan membeli pakej haji atau umrah secara bayaran ansuran.

Sumbangan Co-opbank Pertama dalam bidang penasihatan Syariah Kewangan Islam

Garis Panduan Tadbir Urus Syariah

Co-opbank Pertama mempunyai tadbir urus berbeza dengan perbankan Islam di bawah seliaan Bank Negara Malaysia. Co-opbank Pertama menubuhkan Jawatankuasa Syariah (JKS) di bawah Garis Panduan GP28 Suruhanjaya Koperasi Malaysia (SKM).

1) Jawatankuasa Syariah bertanggungjawab kepada pengesahan pematuhan Syariah dalam sistem kawalan dalaman bagi skop ex ante dan ex-pasca.

2) Garis Panduan GP28 Suruhanjaya Koperasi Malaysia (SKM) menyatakan bahawa resolusi Syariah yang diputuskan oleh Jawatankuasa Syariah adalah mengikat semua warga CBP.

Garis panduan dibawah Seksysn 86B Akta Koperasi 1993 (Akta) dikeluarkan untuk mengawal selia koperasi yang menjalankan aktiviti perniagaan atau aktiviti berlandaskan Syariah yang merangkumi;

1) Pembentukan jawatankuasa Syariah; dan

2) Tadbir urus Syariah koperasi.

GP28 dengan jelas menyatakan Garis Panduan ini terpakai kepada koperasi yang menjalankan aktiviti pengantaraan kewangangan berlandaskan Syariah yang menjalankan aktiiviti:

1) Fungsi perbankan
2) Fungsi kredit
3) Pembiayaan; dan
4) Ar-Rahnu

Berbeza dengan keperluan perbankan Islam komersil di bawah seliaan Bank Negara Malaysia, keperluan penubuhan jawatankuasa Syariah tidak semestinya dilantik secara dalaman seperti perbankan Islam komersil, namun boleh juga melalui penubuhan jawatankuasa Syariah bagi suatu kumpulan beroperasi atau perlantikan jawatankuasa Syariah luaran yang diiktiraf seperti Islamic Banking and Finance Institute Malaysia (IBFIM) dan International Shari'ah Research Academy for Islamic Finance (ISRA).

Walau bagaimanapun, Jawatankuasa Syariah membuat Keputusan agar standard piawaian Syariah yang diamalkan di kalangan sektor koperasi hendaklah mengadaptasi standar piawaian Syariah BNM dan/atau antarabangsa. Dalam masa yang sama tidak memilih piawaian Syariah yang diperselisihkan antaranya; bay inah, bai wafa, bai dayn dengan diskaun, ujrah tetap atas qard (Kompilasi Resolusi Syariah CBP Jan-Jun 2019)

Jawatankuasa Syariah juga bersetuju bahawa Anggota Lembaga Koperasi (ALK) menanggung akauntabiliti penuh di atas perlaksanaan Tadbir Urus Syariah, perlaksanaan pematuhan Syariah hendaklah merangkumi fungsi jabatan-jabatan perniagaan sebagai barisan pertahanan pertama fungsi penyelidikan, pematuhan Syariah, pengurusan risiko Syariah sebagai barisan pertahanan kedua dan fungsi Audit Syariah sebagai barisan pertahanan ketiga.

Sebagai contoh CBP mengambil pendekatan Syariah selari dengan resolusi Majlis Penasihat Syariah BNM ialah Akaun Simpanan-I Al-Wadiah yang bertukar kepada qard selaras dengan resolusi MPS BNM, bahawa Al-Wadiah Yad Dhamanah ialah

qard tidak boleh menawarkan pulangan secara langsung atau seolah-olah menawarkan pulangan secara uruf (tasybih riba)

CBP juga mempunyai mekanisme kawalan dalam pasaran sukuk dan pasaran wang. JK Syariah menetapkan bahawa urusniaga instrument hutang (dayn) daripada langganan sekuriti dan instrument berdasarkan murabahah dan lain-lain kontrak jual beli tidak melebih had ambang (threshold) pada kadar 49 peratus daripada keseluruhan aset CBP atau pada had ambang lain yang lebih ketat (Kompilasi Resolusi Syariah CBP Jan-Jun 2019)

Begitu juga edisi Keempat Resolusi Syariah no 33/2020 sebulat suara bersetuju meluluskan kertas Cadangan adaptasi resolusi Syariah Majlis Penasihat Syariah Bank Negara Malaysia untuk menambahbaik produk Ar-Rahnu. Produk Ar-Rahnu sebelum ini telah ditransformasikan kepada produk Ar-Rahnu 2.0 yang menggunakan konsep murabahah (tawarruq) yang mempunyai kadar tetap keuntungan sehingga tarikh matang.

Ini berbeza dengan produk Ar-Rahnu sebelum ini yang menggunakan akad pendasar; qard, wadiah yad damanah dan ujrah. Ini sekali gus menghapuskan amalan pengenaan Caj Upah Simpan bagi Nilai Barang Gadaian yang akan berubah mengikut kadar semasa. Transformasi ini juga membuktikan bahawa CBP beriltizam dalam membuat penilaian penambahbaikan dan inovasi dalam penawaran produk-produk agar bukan sahaja selari dengan keperluan pasaran malah lebih penting mengikut piawai terbaik dan panduan pihak pengelola.

Tataurus Pengurusan Melibatkan Ketidakakuran

GP28 mengkehendaki sekiranya pengurusan koperasi mendapati operasi perniagaan tidak mematuhi Syariah atau bertentangan dengan nasihat Jawatankuasa Syariah, maka pengurusan koperasi hendaklah dengan serta-merta memberitahu Lembaga dan jawatankuasa Syariah serta Suruhanjaya berkenaan fakta tersebut.

Dalam masa yang sama, apa-apa perniagaan baharu yang berkaitan dengan perniagaan tidak patuh Syarak mestilah dihentikan serta-merta. Rancangan pembetulan dan rektifikasi atas ketidakakuran dan ketidakpatuhan mestilah dikemukakan dalam tempoh 30 hari, dan pelan ini mestilah diperakukan oleh jawatankuasa Syariah dan diluluskan oleh Lembaga.

Garis Panduan ini menggariskan tanggungjawab khusus pihak Ahli Lembaga, Jawatankuasa Syariah, Jawatankuasa Audit Dalaman dengan jelas dalam memastikan sistem kawalan dalaman dan pengurusan risiko kukuh dan berkesan.

Pemantapan Kawal Selia Produk CBP dan Projek Rektifikasi

CBP didapati sangat komited dalam menjalankan proses kawal selia. Ini dalam dilihat dalam siri rektifikasi isu ketidakpatuhan Syariah. Sebagai contoh, portfolio akaun pembiayaan yang berasaskan bay' inah.

Antara pelan rektifikasi dapat dilihat bagaimana CBP mendaatkan mandat wakalah daripada pelanggan akaun lama untuk tujuan proses pembetulan melalui surat berdaftar kepada pelanggan dengan menetapkan tempoh tertentu untuk bantahan sekiranya ada. Amalan ini adalah berdasarkan konsep silent approval. Akad wakalah untuk membaiki kontrak dikira sah sekiranya rukun-rukun dan syarat sudah dipenuhi.

Dalam kes surat pelanggan tidak sampai ke tangan pelanggan, JK Syariah mengharuskan amalan tasarruf fuduli bagi menguruskan ketidak patuhan Syarak (Kompilasi Resolusi Syariah CBP Jan-Jun 2020). Walau apa pun, risiko pembetulan yang diambil haruslah juga tidak menimbulkan risiko operasi yang akan menyebabkan gharar fahish kepada akad baharu.

Menilai ketetapan ini, dapat kita lihat bagaimana mitigasi pembaikan ketidakakuran yang diambil adalah juga mengambil pendekatan akhaf dararayn dan ad darar yuzal iaitu memilih kemudaratan dan risiko paling sedikit dan menghilangkan kemudaratan pada operasi CBP.

Meneliti pelan raktifikasi, pastilah ia mempunyai dua kesan berbeza, dari sudut Syarak, proses pembetulan Syarak haruslah diikuti oleh kedua-dua pihak untuk mengelakkan pihak berkontrak melakasanakan aktiviti kontrak yang haram. Namun, dari segi undang-undang bantahan adalah hak pihak yang berkontrak.

Jelas CBP dalam melaksanakan amalan rektifikasi berusaha mematuhi kehendak Syarak iaitu tidak melaksanakan aktiviti bersalahan dengan undang-udang dan konrak, dan dalam masa yang sama, tidak bertentangan dengan kehendak Syarak. Proses ini untuk masa akan datang boleh diperbaiki dengan meletakkan klausa pada awal kontrak bahawa pihah pelanggan memberikan kuasa kepada pihak bank untuk menjalankan projek rektifikasi yang sesuai dengan syarat tidak mendatangkan kemudaratan kepada pelanggan.

Wakalah rektifikasi boleh dicadangkan dibuat untuk setiap produk pada awal akad sekiranya berlaku ketidak patuhan untuk mengelakkan kesulitan menghubungi pelanggan untuk membetulkan kontrak. Dalam kes ini, kita boleh membuat kesimpulan bahawa pendekatan yang diambil oleh CBP adalah bersamaan dengan konsep khiar aib dan ia bergantung kepada kedua-dua pihak sama ada untuk membatalkan akad, atau memperbaiki kelompongan atau berlapang dada dengan aib tanpa sebarang kompensasi.

Contoh kedua projek rektifikasi ialah Proses Rektifikasi Pematuhan Syariah dengan melakukan migrasi Akaun Sijil Pelaburan Pembiayaan Bank Persatuan kepada Akaun Deposit-I Berjangka Tawaruq. Proses pemindahan akaun konvensional kepada akaun produk patuh Syarak hendaklah memenuhi ketetapan dhawabit seperti berikut; proses migrasi yang mengikut panduan Syariah yang disahkan dan tidak digalakkan bantahan pasca migrasi kerana tujuan migrasi adalah untuk menjadikan urus niaga adalah patuh Syarak. Namun, walau bagaimanapun sekiranya pendeposit tidak

bersetuju, dan secara automatic membatalkan persetujuan Deposit-I Berjangka, maka principal dan hibah secara pro rata akan diberikan sebagai langkah terakhir.

Pengawalan Urusniaga Melalui Laporan Semakan Berkala

Antara sumbangan memantapkan kawalan Syariah dalam institusi kewangan ialah melalui Perlaksanaan Laporan Syariah Platform Urusniaga Komoditi Murabahh, ini termasuklah melalui pemantauan platform urusniaga komiditi Bursa Suq As Silaq (BISAS), Able Ace Rakin dan As Sidq. Selain menganalisa aliran proses urusniaga komoditi murabaha dan polisi dokumen tawarruq yang ditetapkan oleh pengawalselia, penambahbaikan melalui penetapan polisi dan prosedur khas juga perlu dilaksanakan.

Antara kritikan murabahah dan tawaruq yang diketahui umum adalah penentuan pihak yang terlibat dilihat seolah-olah ditetapkan lebih awal oleh pengendali platform. Maka ini memperlihatkan seolah-olah akad murabahah dan tawaruq hanyalah kosmetik. Namun perkara ini dapat diatasi apabila CBP mengambil langkah meminta pengendali platform iaitu BISAS, Able Ace dan as Sidq agar melaksanakan jualan komoditi kepada pihak ketiga secara rawak dan tidak ditetapkan lebih awal, maka ini dapat memperlihatkan bahawa penjualan kepada pihak ketiga adalah 'genuine' dan lari unsur 'munazzam' atau telah ditentukan lebih awal.

Dalam masa yang sama Jabatan Syariah dikehendaki memohon setiap platform komoditi untuk membuat semakan lapangan tidak sekadar bergantung kepada perakuan patuh Syariah secara tahunan daripada penasihat Syariah setiap platform.

Menilai kawalan urusniaga melalui semakan berkala, CBP mempunyai panduan yang jelas dan tidak semata-mata menawarkan produk berdasarkan akad dan kontrak tertentu tanpa mengambil kira dawabit yang disepakati oleh pemain industri yang lain. Segala kritikan terhadap kontrak kontroversi seperti bay' inah dan tawarruq diperhalusi dan urusniaga yang dilakukan mengambil kira sebarang kebarangkalian berlaku ketidakakuran akibat perlanggaran dawabit yang telah ditetap.

Cabaran Kontrak Syariah

Antara cabaran kontrak Syariah yang digunakan ialah kebergantungan terlalu tinggi terhadap konsep tawarruq. CBP sama seperti bank-bank komersil lain tidak lari daripada kebergantungan terhadap kontrak berasaskan tawarruq. Laporan Bank Negara sehingga Disember 2023 telah melaporkan bahawa konsep tawarruq adalah konsep yang paling banyak diaplikasikan di perbankan Islam, seperti mana yang dinyatakan sebelum ini.

Menganalisa produk yang ditawarkan oleh CBP, kita juga mendapati tawarruq menjadi asas bagi kebanyakan produk yang ditawarkan CBP seperti jadual produk yang ditawarkan. Beberapa kebimbangan telah diutarakan terhadap kebergantungan institusi perbankan Islam terhadap produk berasaskan tawarruq. Antara dakwaan bahawa institusi kewangan Islam haruslah mempromosi kegiatan ekonomi sebenar melalui kontrak patuh Syariah, dan adakah isunya kontrak Syariah hanya semata-mata kontrak berasaskan peraturan muamalat namun kegiatan ekonomi sebenarnya tidak

dijalankan? (Badeeu dan Muneeza, 2023) Kebimbangan ini mendorong beberapa penyelidik melihat sejauh mana keaslian kontrak tawaruq dalam beberapa produk perbankan Islam.

Umum mengetahui, Oman menegah penggunaan konsep tawarruq melainkan dalam produk yang daruri sahaja. Persoalannya, adakah langkah Malaysia untuk keluar dari tawarruq kerana konsep ini dianggap kurang patuh Syariah atau tidak patuh Syariah langsung?

Kontroversi yang menyelubungi akad tawarruq juga pernah berlaku terhadap bay' 'inah yang lama-kelamaan sudah tidak lagi popular sebagai akad yang menjadi dasar produk yang ditawarkan. Kebergantungan terhadap tawarruq antaranya menyebabkan institusi perbankan akan bergantung kepada pembiayaan berasaskan hutang (debt-based) berbanding pembiayaan berasaskan ekuiti (equity-based).

Ramai mengkritik bahawa perbankan Islam hanya mencedok model perbankan konvensional dan mengIslamkan produk-produk dengan menggunakan akad tertentu (Kabir Hasan, 2019). Walau bagaimanapun, situasi ini mungkin ada kebenarannya ketika perbankan Islam berada di tahap permulaan, namun dengan kawalan ketat dari Bank Negara Malaysia, adanya Polisi Dokumen dan Shariah Governance yang dikeluarkan, pihak perbankan Islam lebih berhati-hati dan bertanggungjawab dalam memasarkan produk patuh Syariah.

Islam mengharamkan riba, begitu juga maysir dan gharar. Namun, dalam masa yang sama, akad kontrak tidak semata-mata melihat barang produk jualan, atau kontrak yang didokumenkan semata-mata, harus juga berhati-hati dengan hiyal atau helah sekiranya ada. Atas sebab itu, penggunaan kontrak bay' 'inah dianggap kontroversi kerana dilihat jalan tersembunyi riba. Jual beli yang dilakukan adalah kosmetik semata-mata kerana ingin mengharuskan faedah yang diambil daripada hutang yang diberikan.

Jika kita lihat, langkah bank di Malaysia tidak 'seberani' bank di Timur Tengah, seperti contoh Al Barakah Bahrain, yang meletakkan bahagian asset bank dalam produk pembiayaan dalam balance sheet yang mendedahkan mereka kepada risiko penyusutan nilai aset dan lain-lain. Begitu juga Meethaq Islamic Bank Oman, Meezan Bank Limited dan Al Rayan Bank.

Kebanyakan kritikan yang dibuat terhadap tawarruq adalah kerana aturan susunan tawarruq yang menjadikan akad tawarruq bersifat kosmetik, pembeli dan penjual adalah ditentukan. Namun sebenarnya tidak semua aturan pembelian dan jualan dibuat secara automatic, kerana ada pembeli dalam platform tawaruq yang dibuat secara rawak, maka ini menafikan tawarruq munazzam yang diatur sepenuhnya oleh pihak bank dan pihak berkaitan.

Sebagaimana yang diketahui umum, Timur Tengah tidak menyokong produk tawarruq antaranya Organization of Islamic Cooperation yang menyatakan tawarruq adalah tidak dibenarkan. Namun, kajian Alkhan dan Hasan (2019) menyatakan

kecenderungan Timur Tengah menolak tawarruq adalah kerana salah laku yang berlaku dalam industri berbanding diharamkan atas sebab Syariah. Ini adalah pendapat yang diketengahkan oleh Shaikh Ali al Quradaghi (Alkhan dan Hasan (2019).

Tawarruq mengikut definisi AAOIFI ialah "proses pembelian komiditi berasaskan kredit, yang kemudiannya dijual kepada pihak ketiga secara tunai dengan harga lebih rendah untuk mendapatkan tunai dengan segera." Hanya Mazhab Hanbali menggunakan terma tawarruq manakala konsep bay inah juga digunakan dalam literatur lain yang juga menggambarkan tawarruq.

Manakala OIC mendefinisikan tawarruq sebagai "seseorang yang dipanggil mustawriq membeli barangan dengan harga tangguh dan menjual secara tunai pada harga lebih rendah. Kebiasaannya barangan dijual kepada pihak ketiga, dengan tujuan untuk mendapatkan tunai. Ini adalah contoh klasik bagi jual beli yang mana hukum asalnya adalah harus berdasarkan setiap pihak yang terlibat mempunyai pilihan iktiyar dan kebebasan untuk berjual beli.

Ketika kontroversi mengelilingi praktis tawarruq munazzam, maka institusi perbankan menawarkan tawaruq masrafi, perbezaan munazzam dengan masrafi, munazzam akan memperlihatkan seolah-olah sisi kontrak yang digambarkan adalah bersifatkan kosmetik dan menidakkan konsep reda dan khiar dalam jual beli, manakal tawarruq masrafi didakwa lebih patuh syariah yang mana pembeli akan membeli komoditi secara rawak dan bukan ditentukan sedari awal.

Peluang Dan Cadangan

Menyedari peri pentingnya inovasi kontrak Syariah, para pengkaji dan pengamal industri cuba melakukan pelbagai inisiatif. Antara metode utama inovasi kontrak Syariah dapat dirumuskan kepada beberapa jenis:

1. Kontrak hibrid: ia merujuk kepada gabungan atau penyusunan beberapa kontrak dalam sebuah produk atau urusniaga (Puspitasari, 2015). Kontrak al-ijarah thumma al-bay, tawarruq dan musharakah mutanaqisah merupakan antara kontrak hibrid yang mendominasi penawaran produk perbankan Islam (Asni & Sulong, 2018). Antara manfaat implementasi kontrak hibrid adalah seperti mampu mengelakkan riba, mengagihkan risiko kepada pihak berkotrak secara lebih saksama, meningkatkan ketelusan dan mengurangkan kos operasi (Harrieti, 2018; Irawan & Anisah, 2020; Mihajat, 2014).

2. Integrasi kontrak kewangan dan instrumen filantropi: metod inovasi ini lebih memfokuskan kepada pengupayaan golongan susah dan terpinggir. Metod ini penting kerana produk pemerkasaan golongan susah seperti pembiayaan mikro dan takaful mikro dikatakan sering mengalami kos operasi yang mahal (Obaidullah & Khan, 2008). Justeru, integrasi produk ini dengan instrumen berkebajikan seperti wakaf, zakat dan qard al-hasan dilihat sebagai solusi yang ideal. Misalnya, integrasi zakat dan pembiayaan mikro membuka lebih banyak peluang golongan asnaf fakir dan miskin untuk terlibat dalam perusahaan mikro yang sekaligus membantu mereka keluar dari garis kemiskinan (Ascarya & Sakti, 2022; Farah Aida et al., 2012; Hassan, 2010). Melalui

integrasi takaful mikro dan wakaf, lebih ramai golongan susah berpeluang menikmati perlindungan kesihatan dan bencana (Htay et al., 2015; Salleh et al., 2022).

3. Cabaran Teknologi Kewangan Islam (Islamic FinTech): Ia merujuk kepada pengamalan teknologi dalam perkhidmatan dan produk kewangan yang selari dengan prinsip serta kerangka Shariah (Mohammed & El Amri, 2018). Antara inovasi baharu dalam FinTech yang perlu lebih diterokai termasuklah mata wang kripto, platform pendanaan awam (crowdfunding), pembiayaan P2P dan penasihat robot (Knewtson & Rosenbaum, 2020; Oseni & Ali, 2018). FinTech merupakan metode inovasi yang mempunyai beberapa kelebihan antaranya mampu mengurangkan kos, lebih telus, mengurangkan birokrasi, memperkasakan keterangkuman kewangan dan lebih mesra pelanggan (Khateeb et al., 2023).

CBP dalam menawarkan produk kewangan Islam tidak lari dari berhadapan dengan cabaran teknologi kewangan, teknologi artificial intelligent, smart contract terutama dalam dunia tanpa tunai dan tanpa kad. Urusniaga kaunter semakin tidak relevan dan ketinggalan. Namun membangun teknologi perbankan bukanlah satu usaha yang mudah.

Akad kontrak dan urusniaga banyak bergantung dengan sistem yang dipercayai dan mempunyai keselataman yang terbaik. Tidak dapat dinafikan bahawa CBP berhadapan cabaran besar memperteguh sistem teknologi perbankan agar selari dan setanding bukan sahaja dengan bank koperatif yang lain, malah bank-bank komersil yang lain. Menjadi sebuah institusi kewangan yang beretika adalah tunjang memastikan kelestarian sebuah koperasi. Koperasi Islam yang berpandukan objektif yang lebih beretika (maqasid Shariah) haruslah lebih mengutamakan matlamat keadilan ekonomi dan pematuhan Syariah berbanding semata-mata keuntungan. Inilah yang diketengahkan oleh Imam al Ghazali bahawa keadilan (ekonomi) yang merupakan pasak sesuatu, juga turut perlu diperkuatkan dengan elemen ihsan (Osman, S. (2018). Bagaimana CBP menerapkan eleman ihsan dalam menangani permasalahan pelanggan yang berhadapan dengan kesukaran adalah salah contoh yang boleh diketengahkan.

Rumusan Dan Penutup

Dunia telah menyaksikan beberapa siri krisis kewangan yang memberi impak besar kepada pengguna. Kemunculan sistem kewangan Islam yang terdiri daripada bank-bank Islam, koperasi Islam, badan kebajikan ekonomi Islam bukan sahaja menawarkan produk patuh Syariah malah perlu sentiasa berinovasi dalam mempelbagaikan produk yang lebih patut Syariah dan tidak tertumpu kepada sesetengah kontrak yang dilihat lebih mudah dan konvenien. Dalam masa yang sama, pengawalseliaan adalah kunci utama memastikan institusi koperasi ditadbir dengan baik dan telus.

Sistem koperasi Islam yang sudah memasuki fasa matang perlu lebih bersedia dengan cabaran kehendak pengguna yang pelbagai, cabaran permintaan penggunaan teknologi yang tinggi dan risiko ketidak patuhan yang tinggi akibat permintaan yang tinggi. Ekonomi Islam yang mapan untuk mencapai keadilan masyarakat juga harus lahir dari sistem dengan asas yang baik, tadbir urus, pengurusan kewangan dan risiko yang baik. Dalam skop koperasi Islam, ahli-ahli juga berperanan untuk turut

membantu memajukan koperasi dan tidak dilihat hanya mementingkan pendapatan dividen. Maka, jelas sumbangan Jabatan Syariah yang disokong penuh oleh Ahli Lembaga Pengarah adalah komponen terpenting memastikan kelestarian produk dan cabaran yang pelbagai.

Penyelidikan ini juga mendapati bahawa pelbagai kontrak muamalat yang telah diaplikasikan di institusi kewangan dan institusi kewangan bukan Islam telah melalui pelbagai fasa, bermula dari penawaran kontrak ringkas seperti wadiah dan mudarabah, dan memasuki fasa akad hibrid dan inovasi. Kemunculan institusi bukan kewangan Islam seperti koperasi juga turut menyumbang ke arah perkembangan dan kemajuan sistem muamalat Islam secara sistematik, diurustadbir dan dikawal selia oleh badan pengawasan yang dilantik. Biarpun mempunyai di bawah kuasa yang berbeza, rujukan tetap diberikan oleh CoopPertama Bank kepada resolusi yang diputuskan oleh Majlis Pengawasan Syariah Bank Negara Malaysia seperti yang dinyatakan dengan jelas dalam Garis Panduan operasi koperasi Islam yang telah dibincangkan. CBP juga mengambil pendekatan untuk melaksanakan aktiviti perniagaan selari dengan perkembangan institusi kewangan lain; dari aspek undang-undang dan dari aspek pilihan kontrak yang terjauh dari kontroversi.

Kajian ini juga mendapati terdapat banyak kontrak yang sesuai sebagai alternatif kepada kontrak pendasar tawarruq. Mengambil prihatin keperluan mempelbagaikan akad pendasar produk kewangan Islam, CBP dilihat boleh mengaplikasikan kontrak yang dicadangkan antaranya istisna', istisna' dengan ijarah seperti yang dibincangkan. Dalam masa yang sama, CBP juga memberi sumbangan terhadap pembangunan sosial Islam dengan keterlibatan dalam program penyaluran zakat sama ada melalui Majlis Agama Islam negeri, atau pengagihan melalui wakalah zakat. Selain dana zakat, tabungan kecemasan turut dilancarkan terutama ketika musim Pandemik 2020-2021.

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69. Dokumen Polisi Qard BNM
70. Dokumen Polisi Ijarah BNM
71. Dokumen Polisi Tawarruq BNM

A PRELIMINARY ANALYSIS OF THE POTENTIAL OF WAQF ZURRI AS AN ISLAMIC INHERITANCE PLANNING INSTRUMENT IN MALAYSIA

Muhammad Hisyam Mohamad, Siti Fatimah Abdul Rahman & Nur Syahidah Abdul Jalil
Centre for Economics and Social Studies
Institute of Islamic Understanding Malaysia (IKIM)
hisyam@ikim.gov.my

Abstract

Waqf zurri or family waqf is a form of religious endowments that does not receive its deserved attention in Malaysia. This is apparent when it is compared with other preferred Islamic inheritance planning instruments among Muslims in the country such as hibah and wasiyyah. This article seeks to analyse the potentials and advantages of waqf zurri as one of the mechanisms that could be used by Muslims for their inheritance planning. By using document analysis on academic resources and referencing, the preliminary result would suggest that waqf zurri does have those potentials and advantages. They would be more appealing to waqf prospects if state Islamic religious councils (SIRCs) could do some strategic alliance with Islamic private trust companies. Besides the SIRCs could also advise potential donors to establish a waqf musytarak or hybrid waqf which seems less bureaucratic but producing greater impact for waqf beneficiaries as it would benefit not only family members but society as a whole.

Keywords: Inheritance planning, sadaqah, family waqf, waqf zurri, waqf ahli

Introduction

In the context of contemporary Islamic financial planning in Malaysia, the concept of hibah and wasiyyah are commonly adopted by the Muslim community in the country as an approach to inheritance planning. As a matter of fact, these two concepts are commercialized and systematically offered to the public by Islamic asset management institutions as well as Islamic estate planning service providers. However, apart from hibah and wasiyyah, in Islam there is another concept that is suitable and could be applied to estate or inheritance planning which is waqf zurri or family waqf. Nevertheless, compared to hibah and wasiyyah, the concept of waqf zurri has not received the attention it deserves – be it from the industry players, the state Islamic religious council (SIRC) or the general public.

What is Waqf Zurri?

Waqf zurri is also known as waqf ahli or family waqf (Jabatan Wakaf Zakat Dan Haji, 2006). In term of category, waqf zurri is a waqf khas i.e waqf for specific purpose, whereby the beneficiaries are specified by the waqif (the person who initiates the waqf) (Kahf, n.d) whom establishes the waqf with the intention to take care of the welfare and wellbeing of his or her progeny (dhurriyyah). Through the concept of waqf zurri, the usufruct of the waqf can only be used by the specified recipients determined by the waqif (JAWHAR, 2021; Sadique et al., 2016; Kahf, 2001; Yaacob, 2013). When all the descendants of the waqif are no longer alive, the benefits of the waqf will be given to the distant heirs of the waqif, or the authorities may convert it into waqf khayri or waqf for public welfare (Kahf, 1999 in Yaacob, 2013).

The aforementioned scholars' explanations are corresponded with the definition of waqf zurri under the Perak Waqf Enactment. According to the Waqf Enactment (Perak) 2015 Section 10 (1), waqf zurri is a waqf established by the waqif for his family or for one or more than one specified individual with the aim to preserve the welfare or the interest of the designated beneficiary/beneficiaries [Enakmen 9 Tahun 2015, Enakmen Wakaf (Perak) 2015; see also Mohamad, Mohd Yusoff & Nordin, 2020].

Some mazhabs (schools of thought) recognize waqf zurri made by the waqif who assigned himself as a beneficiary – either exclusively or with others for as long as he remains alive. However, the Syafi'i and Maliki mazhabs do not recognise this form of waqf as the waqif already seized the benefits of the ownership of the assets prior to the creation of the waqf. Thus it is like reassigning the benefits to him through waqf – which is meaningless and does not conform to the spirit of waqf. However, the mazhab of Hanafi, Hanbali and Ibn Hazm upheld the validity of waqf zurri in the such arrangement as they argue it may serve as an encouragement for the members of the community to establish waqf and engage in charity giving (Sadique et al., 2016).

From the Shariah point of view, assigning family members and descendants as the recipients of waqf through waqf zurri is in line with the maqasid (objective) of safeguarding the welfare of family members as stated in a hadith narrated by al-Bukhari:

"From Sa'd bin Abu Waqqas r.a.: The Prophet (SAW) came visiting me while I was (sick) in Mecca, ('Amir the sub-narrator said, and he disliked to die in the land, whence he had already migrated). He (i.e. the Prophet) said, "May Allah bestow His Mercy on Ibn Afra (Sa`d bin Khaula)." I said, "O Allah's Messenger (SAW)! May I will all my property (in charity)?" He said, "No." I said, "Then may I will half of it?" He said, "No". I said, "One third?" He said: "Yes, one third, yet even one third is too much. It is better for you to leave your inheritors wealthy than to leave them poor begging others, and whatever you spend for Allah's sake will be considered as a charitable deed even the handful of food you put in your wife's mouth. Allah may lengthen your age so that some people may benefit by you, and some others be harmed by you." At that time Sa`d had only one daughter."

Sahih al-Bukhari 2742 (Book 55, Hadith 5)

In the above hadith, the reason the prophet sets the limit on bequests to non-heir at one-third is to ensure Muslims make necessary efforts to prevent the heirs from exposing to financial hardship after their death. Therefore, the inheritance that is not bequeathed will be distributed to the rightful heirs according to faraid (Islamic inheritance law). Nevertheless, if waqf zurri is applied to inheritance planning, the welfare and the solidarity of the family and the descendants of the deceased can be further strengthened as waqf assets could be preserved and their benefits could also be extended to the future generations of the waqif.

Legality of Waqf Zurri

In Islam, the legality of waqf is firmly rooted in the Quran and prophetic traditions as well as ijma' (scholarly consensus). One of the most quoted verses of the Quran that is used as the basis for the legalization of waqf and sadaqah (charity) is the verse 92 of Surah Ali 'Imran where Allah SWT says:

"You will never achieve righteousness until you donate some of what you cherish. And whatever you give is certainly well known to Allah." Ali 'Imran (3): 92

According to Ibn Abbas and Mujahid, "righteousness" or "al-birr" in the above verse means paradise; whereas Muqatil and 'Ata' opines "al-birr" as "obedience" (taat) and "piety" (taqwa) (al-Tabarsi, n.d., 2:140 in Mohamad, M.H. & Abdul Jalil, N.S. 2019). Further, the combination of piety and obedience can be understood as devotion (Ahmad Sonhadji, 1992, 4:19-20 in Mohamad, M.H. & Abdul Jalil, N.S. 2019). In this context, one important point that needs to be stressed here is that "al-birr" referred to in the verse is tied to "something that one loved most out of what he had". Therefore, Muslims would not achieve the true righteousness propagated by the verse or the paradises until they have sacrificed what they love in this world for the sake of Allah (Shaykh Abdullah Waheed, 2023). Furthermore, the best form of charity in Islam is "sadaqah jariah" (continuous or ongoing charity), as stated by the Prophet Muhammad (SAW) in a hadith narrated by Muslim:

"From Abu Hurairah RA, the Prophet Muhammad (SAW) said which means: "When a man dies all his good deeds come to an end, except for three: ongoing charity (sadaqah jariyah), beneficial knowledge and a righteous child who pray for him."

Sunan an-Nasa'i 3651 (Book 30, Hadith 41)

Referring to the above hadith, commentators interpret the term "sadaqah jariah" as "the practice of waqf". They point out that other forms of charity do not contain the element of continuity (jariah) and perpetuity like the practice of waqf – whereas the waqif could reap the rewards from his good deeds even after his death (Mohamad, M.H. & Abdul Jalil, N.S. 2019).

The verse 92 of Surah Ali 'Imran had a profound impact on the companions of the Prophet Muhammad (SAW), and it influenced them to perform the acts of charity by dedicating their wealth and possessions in the path of Allah SWT. One of the companions of the Prophet who was moved by this verse is Abu Thalhah who endowed

his garden named Bairuha', located near the Prophet's mosque in Madinah (Mohamad, M.H. & Abdul Jalil, N.S. 2019). This remarkable story was recorded a hadith narrated by al-Bukhari as follows:

"Anas bin Malik RA narrated, "Abu Talha had the largest number of date palms from amongst the Ansars of Medina. The dearest of his property to him was Bairuha garden which was facing the (Prophet's) Mosque. Allah's Messenger (SAW) used to enter it and drink of its good fresh water. When the Holy Verse:-- 'By no means shall you attain righteousness unless you spend (in charity) of that which you love.' (3.92) was revealed, Abu Talha got up and said, "O Allah's Messenger (SAW)! Allah says: By no means shall you attain righteousness unless you spend of that which you love,' and the dearest of my property to me is the Bairuha garden and I want to give it in charity in Allah's Cause, seeking to be rewarded by Allah for that. So you can spend it, O Allah's Messenger (SAW), where-ever Allah instructs you. ' Allah's Apostle said, "Good! That is a perishable (or profitable) wealth" (`Abdullah is in doubt as to which word was used.) He said, "I have heard what you have said but in my opinion you'd better give it to your kith and kin." On that Abu Talha said, "I will do so, O Allah's Messenger (SAW)!" Abu Talha distributed that garden among his kith and kin and cousins."

Sahih al-Bukhari 5611 (Book 74, Hadith 37)

The practice of waqf was widely embraced by the companions of the Prophet Muhammad (SAW). In addition, Jabir (RA) narrated that every companions of the Prophet Muhammad (SAW) who could afford to make waqf did so. The waqf made by Abu Talhah is one of the earliest waqf in the history of Islam, and the Prophet Muhammad (SAW) himself directed Abu Talhah to allocate the benefits of the waqf to his family (Sadique et al., 2016).

Although the waqf made by Abu Talhah was among the earliest waqf where the benefits of the waqf were dedicated to the family members, but many scholars believed that 'Umar (RA) was the first individual who established family waqf in Islam. When 'Umar (RA) acquired a piece of land as spoils of war in Khaybar, he turned it into a waqf, where the beneficiaries of the waqf consisted of the poor, relatives, for the purpose of freeing slaves, for jihad, travellers and guests (Suhaimi, 2018; Sadique et al. et al., 2016). This has been recorded in the hadith narrated by al-Bukhari and Muslim as follows:

"Ibnu Umar said: "Umar bin Khattab got some land in Khaibar and he went to the Prophet (SAW) to consult him about it saying, "O Allah's Messenger (SAW) I got some land in Khaibar better than which I have never had, what do you suggest that I do with it?" The Prophet (SAW) said, "If you like you can give the land as endowment and give its fruits in charity." So `Umar gave it in charity as an endowment on the condition that would not be sold nor given to anybody as a present and not to be inherited, but its yield would be given in charity to the poor people, to the Kith and kin, for freeing slaves, for Allah's Cause, to the travellers and guests; and that there would be no harm if the guardian of the endowment ate from it according to his need with good intention, and fed others without storing it for the future."

Sahih al-Bukhari 2737 (Book 54, Hadith 24

Apart from being recognized as the first person to practice waqf that included relatives among the beneficiaries, 'Umar (RA) was also the first person to document his waqf in Islam. Immediately after the death of the Prophet Muhammad (SAW) i.e. during his reign, 'Umar (RA) decided to record his waqf in Khaybar. He invited a few of the Prophet's companions to verify the document. According to Jabir (RA), when the news spread, every property owner started making specific waqf. Some of them required that the fruits and yields of their waqf should first be given to their own children and descendants; and if there is a surplus then it is given to the poor – and this type of waqf is known as descendant waqf or family waqf (Kahf, 2003).

As a matter of fact, the waqf established by 'Umar (RA) falls under a category known as waqf musytarak – a combination of several types of waqf which combined into one. In the case of the waqf made by 'Umar (RA), it is a combination of waqf zurri and khayri (Please refer to JAWHAR, 2022; and also see Kahf, 2001). In the hadith related to the land in Khaybar that 'Umar (RA) turned into a waqf, the beneficiaries (mawquf alayh) consist of two main groups, namely relatives, which is waqf zurri or ahli; and non-relatives, which is waqf khayri. This hadith also serves as the foundation for the validity of waqf zurri and waqf musytarak according to the Syariah (Fahruroji, 2018).

The concept of family waqf or waqf zurri did not exist in the Western legal system until during the late of 20th century. In fact, the Encyclopaedia Americana has acknowledged that a waqf that is specifically intended to benefit the relatives and the descendants is an innovation introduced by Islam. It is not a concept derived by the Prophet Muhammad (SAW) from similar institutions in Egypt, Greece, or Rome. What is clear is that waqf zurri is a form of waqf rooted in the advice of the Prophet Muhammad (SAW) – based on the revelation – to the companions to practice waqf and perform acts of kindness towards family members (Sadique et al., 2016).

The History of Waqf Zurri In Malaysia

In Malaysia, there is a specific fatwa issued by certain State Mufti Departments regarding the permissibility of waqf zurri. In other words, there is no objection from legal or religious perspective regarding its implementation by any interested party in the country. For example, the Meeting of the Selangor State Fatwa Committee (MJKFNS) held on February 4, 2014, corresponding to 4th Rabiul Akhir 1435H, decided that it is permissible to execute waqf muaqqat and waqf zurri subject to sighah aqad waqf (a statement of waqf desire) (Jabatan Mufti Negeri Selangor, 2014). Furthermore, this matter is also mentioned in several state waqf enactments, such as The Waqf Enactment (Terengganu) 2016, where it is referred to as "waqf for heirs", and The Waqf Enactment (Perak) 2015 (Farhana, 2018).

Nevertheless, according to Abdul Samad, Che Abdullah & Noordin (2022), the practice of waqf zurri is not very popular in Malaysia. However, this does not mean that waqf zurri is not practiced at all among the Muslim community in the country. In fact, it has been around for decades. One of the earliest recorded waqf ahli (family waqf) is the Tengku Kaya Pahlawan waqf in Kelantan which was established in 1921 consisting of 20 plots of land covering an area of 98 acres and 22 fathoms. This waqf is

said to be the largest in the state of Kelantan and in 2015, a sum of RM76,000 or 1/10 of the benefits from this waqf has been distributed for charitable purposes as intended by the waqif (Mohamad Suhaimi, 2018). As of 2019, 136 heirs have been identified, and the descendants of Tengku Kaya Pahlawan have reached the fifth generation (Mohamad, Mohd Yusoff & Nordin, 2020). In Penang, there is also a waqf zurri established in 1898 that remains active until now, known as The Waqf Zuriat of Tuan Abdullah@Haji Abdullah bin Haji Mohamed Salleh (Mohamad, Mohd Yusoff & Nordin, 2020).

In Perak, Sultan Idris Murshidul'adzam Shah (1849-1916) has established a family waqf at the beginning of the 20th century. This waqf, which uses the English trust principle, is in line with the spirit and principle of [Islamic] waqf, was created in 1917. It was established through the Sultan Idris Estate Enactment 1917 Cap 208 (Md. Dahlan, Mohamad & Md. Dahlan, 2021). This enactment regulates the ownership rights of 197 properties owned by Sultan Idris in six different districts in Perak, covering agricultural property rights, urban property rights and mining property rights. A trustee has been appointed, and he is prohibited from engaging in any activities that could cause the property to change its ownership or fall into the hands of another party in any way except with the written consent of the Sultan and the Resident. According to this enactment, the primary duty of the trustee is to distribute the proceeds generated by these assets among the two consorts of Sultan Idris, seven sons, and six daughters, in accordance with Islamic law. After the demise of these designated heirs, the generated proceeds are then distributed to subsequent heirs (Md. Dahlan, Mohamad & Md. Dahlan, 2021).

In Terengganu, the recorded assets of the waqf zurri is amount to 26 plots of land, of which 17 plots have been leased for agricultural, business, residential and welfare purposes, while the remaining 9 lots are yet to be utilized. One of these plots is known as the Chenderong Concession Land, which was endowed by Tengku Nik Maimunah on June 13, 1961, where the area exceeding 25,000 hectares. Five out of the eight parts of this waqf are designated for family members and a few others, while the remainder is endowed for religious and welfare purposes. A special trust account was established by the Terengganu Islamic Affairs and Malay Customs Council (MAIDAM) to manage the receipts and disbursements of the proceeds from the waqf of the late Tengku Nik Maimunah. In 2003, the receipts and disbursements from this waqf was amounted to RM699,723 and RM412,205, respectively. The balance of this fund as of December 2003 was RM0.94 million (Che Zurina Ismail et al., 2016 & Laporan Ketua Audit Negara –Terengganu, 2014 in Mohamad Suhaimi, 2018).

In general, the acceptance and establishment of waqf zurri among the Muslim community in Malaysia is not as good as waqf khayri. Researchers had given several reasons for this. In fact, it is said that the practice of waqf zurri is discouraged by the authorities due to some management and bureaucracy issues. Ahmad Sanusi, Yaacob, and Md Salleh (2021) found that only a few state Islamic religious councils (SIRCs) that are still handling waqf zurri, and in those cases, they just continue the existing waqf that have been there long time ago. For instance, from 1920 to 2000, only 11 waqf zurri were recorded in Terengganu, with five (5) waqf established between 1920

and 1970, and six (6) during the period from 1970 to 2000 (Mohamad, Mohd Yusoff & Nordin, 2020).

Ahmad Sanusi, Yaacob dan Md Salleh (2021) also found that there are SIRCs that do not take the responsibility to manage the waqf zurri. There are also SIRCs that do not have a clear procedure of how to manage waqf zurri due to its long duration that spans several generations. In addition, the SIRCs also faces other challenges in managing waqf zurri. For example, MAIDAM encounters difficulties in identifying the rightful descendants or waqf heirs. It is also difficult for them to execute the "ikrar pewakafan" (waqf pledge) because the document is written in old Jawi script that are difficult to comprehend. Moreover, revenues generated from waqf zurri remains low due to factors such as lack of capital to develop the waqf assets. The increasing number of descendants further aggravates the issue as the waqf benefits allocated to the heirs would also drop and insufficient to absorb the surging cost of living (Mohamad, Mohd Yusoff & Nordin, 2020).

Potentials And Benefits of Using Waqf Zurri As An Approach In Inheritance Instrument

From one angle, some may view waqf zurri—or even general waqf—as a simple means for someone to evade faraid or Islamic inheritance laws, which require the full or partial distribution of wealth; or as a way of lowering the quantum of assets available as an inheritance to the eligible heirs or spouse. According to early Islamic sources, there were disputes and arguments over the conflict between faraid and waqf zurri. In fact, there are some early Islamic scholars who opposed certain aspects in the waqf system. Imam Shurayh (d. 695-717), for instance, disapproved of waqf, arguing that it disrupts or modifies Islamic inheritance laws. He is reported to have said, "la habs 'an fara'id Allah," meaning "there is no waqf in avoiding God's share." Meanwhile Abu Hanifah (d.767) rejected the idea that waqf property must be inalienable and he considered waqf as revocable analogous to temporary borrowing or 'ariya (Powers, 1993, see also Alma'amun, 2010). According to Abu Hanifah, the waqif retains the ownership of the property he had granted as waqf, and he is allowed to withdraw or sell the waqf assets. In the event of death of the waqif, his heirs would inherit the property (Baitul Mal Aceh, 2021).

Nonetheless, the majority of Islamic scholars disregarded these arguments. Imam Shafi'i (d. 822) opposed the stance of Imam Shurayh, arguing that the concept of waqf zurri or waqf family is a form of lifetime gift (gift inter vivos). It is also not a form of evasion of faraid since faraid only takes effect after the death of the deceased or when someone become terminally ill and death is imminent. Other scholars opposed Abu Hanifah's view by referring to the hadith about the waqf made by Umar ibn al-Khattab (RA) in Khaybar. The Prophet Muhammad's PBUH response to Umar (RA) when asked about what to do with his land in Khaybar – "Freeze it and give its fruits in charity" (Sunan an-Nasa'i 3604) – has been considered a formal statement or dictum by the majority of jurists, establishing a precedent for the legitimacy of the institution of waqf in the future.

Unlike the concept of hibah or wasiyyah which are widely accepted as an inheritance planning instrument, waqf zurri has yet to attain the level of societal acceptance as achieved by the two concepts. Although it is still not popular and is still shrouded in various issues and problems as explained before, this does not mean that we should let the concept of waqf zurri be left out without any effort to rejuvenate it as this could cause the practice to be abolished as happened in Egypt, Tunisia and Libya; or subject to various constraints and restrictions imposed by the authorities such as those made by the governments of Lebanon, Kuwait or Iraq (Sadique et al. 2016).

As stated in Ninth Schedule, List II, State List, Federal Constitution, in Malaysia, all matters related to religious affairs and Islamic law are placed under the jurisdiction of the states. This encompasses all matters related to waqf, where all waqf assets must be handed over to the state Islamic religious council (SIRC), which then acts as the sole trustee for both general waqf and specific waqf (Mahamood, 2006; Ab Ghani et al., 2011, see also Tapah. S., 1994). Hence, SIRC should play a vital role in revitalizing and giving a new lease of life to the concept of waqf zurri so that it could be widely accepted by members of the public as a way to generate continuous rewards and at the same time ensure the welfare of family members is preserved.

Advantages of Zurri Waqf from the Perspective of Inheritance

In general, there are a number of advantages of waqf zurri that can be presented to the general public to spark their interest in creating such a waqf. First, is in terms of the continuous rewards generated from the waqf—as long as the waqf assets are able to generate benefits for the designated heirs or mauquf ʻalaih. This cannot be fulfilled through hibah or sadaqah, which are grounded in humanity and compassion.

The second is that waqf zurri can build and strengthen kinship and love among family members and relatives who share the same ancestry (Ahmad Sanusi, Yaacob & Md.Salleh., 2021). According to Islam, priority in matters of sadaqah (charity giving) and infaq (spending) should be given to the family members. When a person gives sadaqah or infaq to his relatives, he not only gets a reward, but also strengthen the relationship between relatives (Mohamad, M.H. & Abdul Jalil, N.S. 2019). This is based on the hadith narrated by Salman bin Amir where the Prophet SAW said:

"Giving charity to a poor person is charity, and (giving) to a relative is two things, charity and upholding the ties of kinship."

(Sunan an-Nasa'i, 2582)

The third is that waqf zurri ensures that waqf assets last for a long time and the resulting benefits can ensure that the welfare of the heirs is preserved. One of the objectives of shariah is the preservation of wealth (hifz al-mal). According to Ibn Ashur, there are 5 aspects that Shariah wants to achieve through the objective of preservation of wealth. In the context of this article, three of them are seen as appropriate to be associated with waqf zurri namely rawaj al-amwal or wealth circulation; hifz or preservation of wealth so that it does not deplete, i.e. efforts to grow wealth; and ʻadl or justice in wealth ownership (see Mohamad, M.H., 2018).

Wealth which circulates in the society i.e. not idle or frozen is an important resource that contributes to economic growth. Circulation of wealth that takes in forms of business and investment enables more members of the community to take advantage of the resource for productive purposes such as through partnership and collaboration in income generating activities of their choice. Indirectly, it can prevent the contagion of negative activities that may result from inequality of wealth distribution in a community (Ahmad, Radwan & Mohamad, 2016 in Mohamad, M.H. 2018).

Once waqf zurri is put into place, the asset becomes the property of Allah SWT, and its benefits are only given to the heirs—as it cannot be sold or given to anyone else. In Malaysia, SIRC serves as the sole trustee responsible for managing and administering the waqf assets. The waqf assets are therefore protected from ending up in the hands of irresponsible heirs who may deny the rights of other heirs or cause the assets to be transferred to unauthorised parties. In other words, the establishment of waqf zurri allows the waqif to create a lineage of descendants with exclusive rights to enjoy the benefits of the endowment. Theoretically, through waqf zurri the waqif can strategically ensure his assets can be passed down to his future generations in a continuous and sustainable manner. In summary, waqf zurri could serve as an approach in ensuring one's assets are preserved and allocated according to the waqf deed throughout his generations (Powers, 1993, see also Alma'amun, 2010).

Waqf zurri is also viewed to possess the qualities of a good wealth preservation mechanism as it ensures equity and fairness in the distribution of wealth among heirs. Islam acknowledges that each individual is born with various levels of mental, physical, and background capabilities. These differences do not allow the existence of economic equality among heirs. Through waqf zurri, the rights of heirs are preserved and protected because there exists a form of wealth distribution mechanism created by the waqif. By means of waqf zurri, the heirs - especially those who are weak and poor will get the justice they deserve in wealth distribution. Consequently, this protects them from being deprived of ownership rights that usually exist in the conventional economic systems where underprivileged groups will be marginalized without defense (Mohamad, M.H, 2018).

Mechanism of Implementing Waqf Zurri

Being the sole trustee and manager of waqf assets, SIRC is said to confront several limitations – mainly concerning manpower, finances and expertise – to manage, develop and grow the waqf assets (Mahmood et al., 2017). Considering waqf zurri is a special form of waqf where the benefits derived from waqf assets are intended for specified heirs only, this will pose another challenge to the SIRC. This challenge is seen as more difficult than the challenge of managing waqf khayri or general waqf, especially in getting the targeted investment returns and the distribution of waqf benefits to the beneficiaries designated by the waqif who could increase in numbers over long period time.

As the sole trustee, the SIRC has the right to appoint or give written permission to any party to manage and administer any mawquf on its behalf. In addition to this, MAIN also has the authority to recognize the appointment of any manager or

administrator in the case where the waqif has already made such appointment other than MAIN. The power to appoint and recognize comes together with the power to terminate both appointments (Yayasan Wakaf Malaysia, 2021). Therefore, to ensure the survival of waqf zurri, it is suggested that MAIN to cooperate with shariah-compliant trust institutions to help manage such waqfs. In this case, waqf assets or properties will still remain under the ownership of the SIRC. Thus this eliminate the issue related to the possibility of waqf assets ownership falling into the hands of third parties other than the SIRC. At the same time, SIRC can also utilize the expertise of the trust service provider to manage investments and distribution to waqf beneficiaries.

Apart from the collaboration between the SIRC and trust service providers, the waqif can also opt to establish a waqf musytarak—a combination of waqf zurri and waqf khayri. This is the best form of available at SIRC and fulfils the dual function of ensuring the well-being of family members and the public simultaneously. In waqf musytarak, the waqif can specify a certain percentage of the generated benefits to be allocated to the designated family members and remaining percentage for the public welfare (Mohamad, 2018). This approach may be more favourable to the SIRC as it is easier to manage and has a more significant impact on the general community compared to a standalone waqf zurri that solely targets on the welfare of family members or descendants of the waqif.

In addition to creating a hybrid waqf through waqf musytarak, waqf zurri can also be established through the platform offered by the Labuan International Waqf Foundation (LIWF). LIWF is a private Islamic foundation that offers service to manage beneficiary properties based on waqf principles. By using an internationally recognized law of foundation, LIWF tries to revive the application of the waqf concept in wealth management planning. In order to coordinate the creation of waqf zurri, the waqif creates a waqf for his family members and the LIWF acts as the mutawalli or waqf administrator and family members can enjoy the benefits generated from the waqf assets. In the case where the designated beneficiaries cannot be identified, then the waqf will become a waqf khayri and all the resulting benefits will be distributed for welfare purposes of the general public (Mohamad, 2018).

Conclusion

Waqf zurri is one of the earliest forms of waqf to exist in Islam. The Prophet SAW's recognition of the implementation of waqf zurri is a proof that Islam emphasizes on giving priority to the welfare of family members before it is extended to those who are outside the family circle. Although there may be some weaknesses about the application of the waqf zurri concept in Malaysia, this does not mean that the Muslim community in the country should dismiss the concept entirely from the list of instruments that they could chose for inheritance planning. In terms of its application as an inheritance approach, the advantages of waqf zurri are comparable and even better compared to hibah and wasiyyah methods. By featuring the characteristics of continuous rewards that are generated even after the death of the waqif; preservation or perpetuity aspect of the endowed assets; SIRC as the sole trustee of waqf assets and prioritization of family members in receiving waqf benefits, waqf zurri is indeed seen to have

advantages and potentials to be considered as one of the instruments that Muslims in Malaysia can choose for their inheritance matters.

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THE ISSUE RELATING TO ECONOMICS AND HOSPITAL RESOURCE DISTRIBUTION BASED ON MEDICAL ETHICS

Mohd Zamre Mohd Zahir1*, Tengku Noor Azira Tengku Zainudin1, Ramalinggam Rajamanickam1, Haniwarda Yaakob1, Nur Khalidah Dahlan1, Rohaida Nordin1, Rachel Decruz2 & Nadhilah A. Kadir1

1Faculty of Law, Universiti Kebangsaan Malaysia, 43600 UKM Bangi, Selangor, Malaysia

2Asia School of Business (DU046(W)), Bangunan Akademik ASB, 11, Jalan Dato' Onn, 50480, Kuala Lumpur, Malaysia

Correspondence email: zamre@ukm.edu.my

ABSTRACT

The spread of disease episodes has placed significant pressure on critical care units (ICUs) and other patients, and it is still creating problems. The issue is that many patients need respiratory assistance and have sometimes lengthy ICU stays, which leads to problems with the hospital's resources including mechanical ventilation and beds. This paper aims to discuss the issues regarding hospital resources and the ethical principle of justice during the spread of disease. The method employed is qualitative-based. This paper found that there are shortages of resources to be distributed to patients. Finally, it is suggested that it is incumbent for the government to enforce a mechanism response to address the needs of hospital resources without neglecting the ethical theory of justice and its economic impact on the country.

Keywords: disease, economy, hospital resources, justice, medical ethics.

Introduction

The government has always placed a high priority on healthcare. This is demonstrated by Belanjawan 2023, the largest Malaysia has ever seen, and the noteworthy allocation of RM36.3 billion for healthcare in comparison to RM32.4 billion the year before (Aufa Mardhiah, 2023). Malaysia's healthcare system has been recognised as one of the best in the world for providing effective health services. Health difficulties, including rising non-communicable illness burdens, communicable disease emergence and re-emergence, and an aging population, are becoming more pressing over time. The problems posed by the country's health system, as well as advancements in healthcare, have led to increased demand for healthcare services. However, there is a dilemma when dealing with the distribution and facility in the hospital. Thus, the initiative to settle the problem is so important.

Methodology

This paper adopts a qualitative method in examining the challenges of the current issues applied in Malaysia, concern about hospital resources and the ethical principle. The collection of data is so significant (Fahmi bin Adilah et al, 2023; Li, Tingting et al, 2023) for the research and this reviewing process (Nur Hazirah Ahamad Kuris et al, 2023; Nurul Hidayat Ab Rahman et al, 2023). This paper will analyse the data to study hospital resources and the ethical principle of justice during the spread of disease.

Health Resource Distribution

Principles of Biomedical Ethics, Beauchamp and Childress initially explained the four (4) principles as the standard theoretical structure in circumstances in medicine (Beauchamp, TL & Childress, JF., 2009). While the consequences of the four principles of Beauchamp and Childress are often debated, the role of authority in the area of medical ethics of the four principles is not challenged. In short, autonomy, beneficence, non-maleficence and justice are four main principles. As far as justice is concerned, it is a philosophy that stresses justice and equality among people (Beauchamp, TL & Childress, JF., 2013).

When the situation becomes critical, the central ethical principle of distributive justice can be used to guide the right distribution of finite health resources (Jean-Louis Vincent & Jacques Creteur, 2020). The distributive justice principle mandates that health care be provided in a fair and equal manner to all people in need, not just particular patients. Distributive justice encourages the allocation of wealth to those who are most likely to benefit. Most importantly, this does not imply that the patients are more likely to live, as many can be treated outside of intensive care units (ICU).

Resource allocation in health should satisfy two main criteria. Firstly, it should be cost-effective limited resources for health should be allocated to maximise the health benefits for the population served. Secondly, the allocation should be equitable or just; equity is concerned with the distribution of benefits and costs to distinct individuals or groups (Brock DW & Wikler D., 2006). Making decisions regarding which expenditures to include, whether any financial advantages should be counted as offsetting costs, whether to add benefits beyond the health effects of the intervention and if all health gains should be valued equally are all necessary for conducting cost-effectiveness studies (Brock DW & Wikler D., 2006).

A further consideration in cost assessment is whether the expenses of treating a patient today should be increased to account for future medical treatment and other expenses, such as old-age benefits, that will be incurred as a result of the patient's life being preserved. People who are saved from death by a life-saving intervention will usually have to pay future medical expenses that they would not have if they had passed away sooner (Brock DW & Wikler D., 2006).

Justice necessitates a special concern for the poor, as evidenced by aphorisms like "you can tell the justice of a society by how it treats its least well-off members," the well-

known Difference Principle in John Rawls' theory of justice, and the special concern for the poor within many religious traditions (Brock 2002; Rawls 1971). This concern is frequently believed to reflect a desire for equality specifically, equality in results or well-being between people. In the health setting, it manifests as a desire to reduce health disparities among individuals or groups. A multitude of ethical principles underpin a concern for equality in general, and equality in health in particular, which cannot be discussed here.

The most common reason for denial of ICU admission is a low expected benefit of treatment, which correlates with patient mortality. Triage was determined by bed availability, severity of illness, medical diagnosis, and age (Halvorsen, 2010). Withholding and/or withdrawing critical care are considered priority determinants in ICUs, and differences in how they are stressed jeopardise fair priorities (Hurst S, et al., 2005; Tallgren M, K, et al., 2005).

According to Malaysian Medical Council (MMC) Guideline 008/2006 on "Brain Death," under item 4.4, treating patients in an ICU is costly (Malaysian Medical Council, 2006). The number of ICU beds and ventilators is also limited (Malaysian Medical Council, 2006). It is morally and economically unjustifiable to keep ventilating a brain-dead patient in the ICU, thereby denying these facilities to patients with better prognoses.

The Ministry of Health monitors one of the most crucial operational indicators: hospital capacity utilisation. As a result of the Medical Development Division's pandemic work to improve reporting sophistication, hospital-level data on bed usage is now available on a timely basis. This dashboard shows that data in a straightforward manner and will be supplemented over time with additional data on the use and provision of hospital-specific services (KKMNOW, 2024).

Based on Figure 1, as of 30 March 2024, the data shows 71.4% of hospital beds are utilised in Hospital Kuala Lumpur (KKMNOW, 2024). While, 94.1% of ICU beds are utilised, and 32.6% of ventilators are utilised in Hospital Kuala Lumpur. The data may differ from one hospital to other hospitals.

Figure 1: Bed Utilisation at Hospital Kuala Lumpur (KKMNOW, 2024)

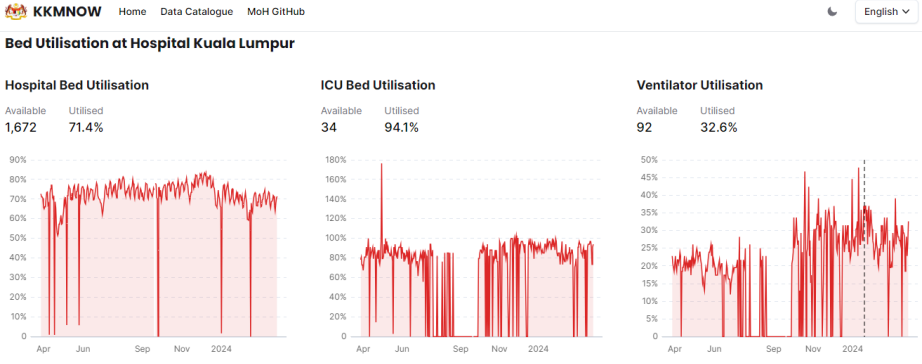


Figure 2: Bed Utilisation at Hospital Hospital Tunku Azizah, Kuala Lumpur and Institut Perubatan Respiratori, Kuala Lumpur (KKMNOW, 2024)

Name	Hospital beds (non-critical care)	ICU beds (critical care)	Hospital bed utilisation	ICU bed utilisation
Hospital Tunku Azizah	596	4	105.5%	75.0%
Institut Perubatan Respiratori	110	0	48.2%	-

Based on Figure 2, as of 30 March 2024, the data shows 105.5% of hospital beds are utilised in Hospital Hospital Tunku Azizah, Kuala Lumpur. While, 75.0% of ICU beds are utilised in Hospital Hospital Tunku Azizah, Kuala Lumpur. While, 48.2% of hospital beds are utilised in Institut Perubatan Respiratori, Kuala Lumpur.

This data shows that beds and ventilators are very important and the patients need these facilities. The utilisation of hospital beds in Hospital Tunku Azizah also shows that beds all are occupied. The issue of resource scarcity is not limited to Malaysia; it impacts the entire nation. It is because other countries, particularly developed ones such as the United States of America, have had comparable issues. mechanical ventilation equipment fails to meet the needs of many patients worldwide. As a result, it is critical to have stronger guidelines in place to address the issue of medical resources and scarcity under the principle of justice.

It is crucial to have a plan concerning medical equipment. Based on the principle of justice, the medical equipment should be enough and can cope high demand of patients in the hospital (Mohd Zamre Mohd Zahir, et al., 2023). When we are discussing the hospital, it is not just for government hospitals, but, it includes private hospitals. Thus, government and healthcare providers need to deal with problems justifying resource distribution among patients effectively.

Strengthening policies and regulations

Because of the expensive and limited services and facilities required to offer sustainable treatment, economic considerations play an important part in providing end-of-life care (Fadhlina Alias & Puteri Nemie Jahn Kassim, 2019). Hence, healthcare practitioners must cope with challenges justifying resource distribution among patients (Fadhlina Alias & Puteri Nemie Jahn Kassim, 2019). The apparent solution to the lack of facilities like as beds is to increase the number of beds for critically sick patients in some way (Jean-Louis Vincent & Jacques Creteur, 2020).

Policies to guide public health interventions and clinical decisions regarding limited ventilator supplies have been a challenge for institutions and researchers globally

(Rosamond Rhodes, 2020). Healthcare frequently operates with low resources (Munthe C, Fumagalli D & Malmqvist E, 2021).

Increasing the effectiveness of current health-related policies and regulations is another tactic that requires consideration. Based on the needs and difficulties the health system is now facing, this initiative aims to increase the efficacy and efficiency of the country's healthcare system. To make the health system more adaptable and creative, it is necessary to reassess the laws, rules, and stewardship programs now in place. Additionally, the actions of control, supervision, and regulatory framework will be increased, particularly in the area of newly emerging health services (Ministry of Health, Malaysia, 2023).

The following are the efforts that will be carried out under this strategy:

i. Reviewing and amending policies, legislation and regulations to make them relevant to the current circumstances.
ii. Holding engagement sessions with various stakeholders to obtain more comprehensive input.

Health White Paper for Malaysia

The goal of the Health White Paper for Malaysia (HWP) is to improve people's health and well-being by transforming the country's healthcare system (Ministry of Health, Malaysia, 2023). Although Malaysia's health results have improved somewhat since the country's independence, the health system is currently struggling to address a quite different set of issues that have surfaced in recent years. To address the country's health issues and ensure equitability, sustainability, and resilience of the health system, the HWP lays forth a comprehensive plan for systemic and structural reforms of the Malaysian health system.

Under HWP, there are four pillars:

Pillar 1: Transforming Health Service Delivery
Pillar 2: Advancing Health Promotion and Disease Prevention
Pillar 3: Ensuring Sustainable and Equitable Health Financing
Pillar 4: Strengthening the Health System's Foundation and Governance

The Ministry of Health (MOH) will place a greater emphasis on its role in governance, oversight, and stewardship through policy development, regulation and enforcement, also standard setting for the entire health system (Ministry of Health, Malaysia, 2023). The functions of provider and purchaser, which are currently centralised within MOH, will be gradually divided into arm's length businesses. Autonomy will be granted to public sector health facilities, delegating service provider responsibilities. There is a dire need to change the health system to address present and future health challenges and demands, increase well-being, and enable Malaysians to live better lives. Before

additional time is spent, Parliament, the people, and the nation must band together and begin the journey of healthcare reform today.

Conclusion

In conclusion, it is recommended that it is incumbent for the government to enforce a mechanism response to address the needs of hospital resources without neglecting the ethical theory of justice and its economic impact on the country. With this initiative, the emphasis will shift from only treating the sick to a new way of thinking about keeping people healthy. Besides that, the enforcement of HWP potential can improve people's health and well-being by transforming the country's healthcare system. The country will adopt and implement illness prevention and health promotion strategies at all levels to create a health system that gives the populace the power to preserve, enhance, and improve their health. Prioritising digital health technology would help government agencies better gather, analyse and monitor data, bolstering the nation's health emergency planning and response capabilities and promoting more evidence-based public health practices.

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RISK MANAGEMENT IN ISLAMIC BANKING: EXPLORING CHALLENGES AND ISSUES WITHIN THE BANGLADESHI CONTEXT

Md Alamgir Hossain1
Romzie Rosman2
IIUM Institute of Islamic Banking and Finance,
International Islamic University Malaysia,
Kuala Lumpur, Malaysia
Corresponding Author's Email: alamgirbd.official@gmail.com

Abstract

Abstract: In order to promote financial inclusion and ethical practices in the global financial system, Islamic banking, which is guided by Shariah principles, is crucial. Nevertheless, a great deal of new challenges and potential risks have emerged as a result of Bangladesh's flourishing Islamic banking industry, and these need to be carefully examined. To address the many issues and challenges associated with risk management in Islamic banks operating in Bangladesh, this study undertakes a thorough literature review. These findings highlight the importance of Islamic banks implementing strategic measures to enhance their risk management systems and proactively addressing these challenges. By employing efficient approaches and adopting a positive attitude, Islamic banks can reduce vulnerabilities caused on by infrastructure limits, financial engineering complexity, product offering complexity, and Shariah audit complexity. Stakeholders and regulatory agencies might benefit from this article's analysis of the emerging risk management environment in Islamic banking.

Keywords: Risk Management, Islamic Banking, Issues and Challenges, Bangladesh.

Introduction

According to Hasan and Dridi (2011), Islamic banking is a rapidly growing sector of the global financial industry that follows the concepts of Islamic law (Shariah) and Islamic economics. Islamic banking, unlike conventional banking, is driven by ethical and moral values that encourage justice, transparency, and social responsibility. The prohibition of interest-based transactions (Riba), speculative investments (gharar), and investments in businesses considered detrimental to society are among the fundamental principles of Islamic banking (haram). Instead, Islamic banking emphasises the concept of risk-sharing (Mudarabah) and profit-and-loss sharing (musharakah), in which both the bank and the consumer share the investment's risks and profits. This novel approach to banking has attracted an increasing number of consumers looking for an alternative to conventional bank that is consistent with their religious and ethical views. The global Islamic banking industry reached $2.10 trillion in assets by the end of 2021, registering a growth rate of 9.7% compared to the previous year. This growth

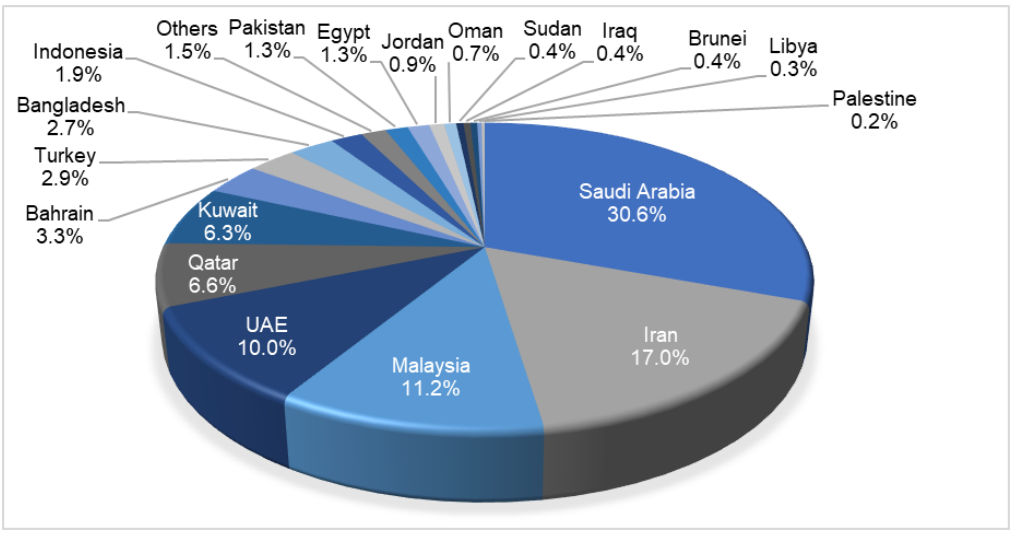
rate is significantly higher than the average growth rate of the global banking sector, which stood at 4.7% during the same period (IFSB, 2022).

One of the key factors contributing to the growth of Islamic banking is the increasing demand for ethical and socially responsible financial products. According to the IFSB stability report, the popularity of Islamic finance has been particularly high in countries such as the GCC and Southeast Asian nations like Malaysia and Indonesia. These countries have established robust regulatory frameworks for Islamic finance, which has contributed to the growth of the industry (IFSB, 2022).

Bangladesh is one of the fastest-growing Islamic banking markets globally. The IFSB stability report states that the country's Islamic banking industry reached $14.3 billion in assets by the end of 2020, with a growth rate of 9.5% compared to the previous year (IFSB, 2022). Islamic banking in Bangladesh has grown due to advantageous rules, customer demand for Shariah-compliant financial products, and robust economic growth. The government's financial inclusion and underbanked banking access initiatives have also benefited Bangladesh's Islamic banking sector (Bangladesh Bank, 2021).

Islamic banking assets worldwide is about $2.10 Trillion USD in 2021(IFSB, 2022). Bangladesh plays a vital role in the industry by contributing about 2.7% of the Islamic banking assets in global which is stated in Figure 1.1.

Figure 1.1 Islamic Banking Assets Global share 2021



Source: (IFSB, 2022)

The IFSB and the World Bank have set a threshold for the contribution of a country's deposit in the domestic market to determine whether it is systemic significance in the economy or not. According to this standard, if a country contributes more than 15% of the deposit in the domestic market, it plays a systemically significant role in the economy. Bangladesh, plays a systemically significance role in the economy, accounting for

26.3% of the banking industry (IFSB, 2022). This indicates that the country has a considerable influence on the stability and operation of the local banking industry, which has an impact on the whole economy.

Risk management is underlying to excellent banking practice. Without a doubt, today's financial institutions confront a wide range of risks, including credit risk, liquidity risk, foreign currency risk, market risk, equity investment risk, operational risk, shariah risk, reputation risk, interest rate risk, and so on. As a result, effective risk management is important to the survival and performance of banks (Ben Selma Mokni et al., 2014).

Risks in the banking sector include any unfavourable consequence or occurrence, as well as the probability or anticipated value of such an event. In order to assess risks, financial institutions must consider both their probability and prospective ramifications for routine business activities. In addition, risk identification is complicated by the complexity of contracts provided by Islamic banks. In order to mitigate potential repercussions, Islamic banks must accurately identify, assess, and analyse risks for risk management to be effective (Ali Basah et al. , 2018)

Undoubtedly, the capacity of Islamic banks to predict shifts in the financial landscape is a pivotal factor in securing their ongoing existence. These banks must expertly navigate a diverse range of risks while upholding performance standards, service quality, operational integrity, and shareholder goals. Islamic banks possess the capacity to transform prospective vulnerabilities into profitable ventures through the effective management of associated risks (Wahyudi et al., 2015). Islamic banks, on the other hand, are compelled to confront a multitude of issues and challenges and implement comprehensive risk management strategies in order to compete effectively with conventional banking practices (Ali Basah et al. , 2018). As a result, the objective of this study is to investigate the complexities that are inherent in the risk management practices of Islamic banks. The paper's framework is outlined as follows: Section 2 clarifies the problem statement, while Section 3 examines the literature review. Section 4 elaborates on the identified issues and challenges, and Section 5 provides concluding remarks.

Problem Statement

The fast expansion of Islamic banking institutions in Bangladesh has brought about numerous positive outcomes, but it has also given rise to numerous difficult challenges. Particular risk management strategies are required for Islamic banks due to the unique challenges they face. Ariss and Sarieddine (2007) state that in order for Islamic banks to compete with conventional banks in the global economy, they must be able to predict and reduce these risks.

Due to these challenges, Bangladeshi Islamic banks must create a risk management environment that supports their goals and strategy. This requires identifying and understanding risk exposures and implementing systems to analyse, monitor, and manage them (Malim, 2015). Islamic banks may face risks peculiar to Shariah compliance, such as ethical risks and adverse selection, which necessitate particular risk management strategies (Rosman et al., 2015). The stability and integrity of Islamic banking

activities in Bangladesh must be protected by prudent risk management practices, especially in light of changing market dynamics and global uncertainty.

The importance of strong risk management in Islamic banking goes beyond individual institutions because poor risk management can affect the entire banking sector and economy. According to Al Rahahleh and Najuna Misman (2019), inadequate risk management practices can cause large losses, threatening the viability of individual banks and, in extreme situations, triggering systemic crises. Therefore, any issues and challenges faced by Bangladesh Islamic banking industry in managing risks has to be identified and overcome to ensure an effective risk management and banking sector sustainability.

Risk in Islamic Banking

Risk management plays a crucial role in the functioning of financial institutions, particularly Islamic banks. The financial sector exhibits a wide variety of risks, including credit risk, market risk, operational risk, and liquidity risk. Inadequate risk management can result in substantial financial losses or potential insolvency. The concept of Islamic banking is still relatively new and evolving internationally, which is why there aren't many research on the risk management strategies that Islamic banks utilise (Nazir & Daniel, 2012; Siddiqui, 2008; Yaw, 2018). Risk management is critical in the Islamic banking business since it impacts financial organisations' existence and performance. Effective risk management is required to give higher returns to shareholders, and it also plays a crucial role in controlling the numerous hazards that come from banking operations. The Islamic Financial Services Board's 2005 prudential rules emphasise the significance of risk management for Islamic banks (IFSB). Good risk management has become even more critical for Islamic banks as they negotiate the difficulties of globalisation.

Due to the growing number of Islamic banks and the need for regulation, the International Financial Services Board (IFSB) was created. The institution's efforts to maintain the Islamic financial services industry's stability and financial soundness concentrate on banking, capital markets, and insurance. The Islamic Financial Services Board (IFSB) creates Shariah-compliant international standards to do this. Industry regulators might apply these principles to promote openness and prudence in Islamic financial institutions. The IFSB, based in Kuala Lumpur, Malaysia, was founded under the 2002 Islamic Financial Services Board Act. The organisation has managed to secure and trustworthy Islamic finance grow.

For banks that only offer Islamic financial services, the Islamic Financial Services Board (IFSB) published a set of guidelines for risk management in December of 2005. The "Guiding Principles of Risk Management for Institutions (other than Insurance Institutions) Providing Exclusively Islamic Financial Services (IIFS)" include fifteen risk management principles grouped into six risk categories. These risk categories are as follows: credit risk, equity investment risk, market risk, liquidity risk, rate of return risk, or shifted commercial risk, and operational risk, which includes Shari'ah noncompliance risk. These directions require organisations to follow Shariah law, including the prohibition on profit without risk.

Credit risk management is the topic of the first category of risk management recommendations. Institutions are expected to identify credit risk exposures at various stages of financing and perform extensive reviews of financing products in order to manage credit risk. In the event of a counterparty's financial crisis, the principles advocate for proactive actions such as regular communication, debt rescheduling, restructuring plans (IFSB, 2005; Rosman et al., 2015).

The second category of risk management regulations focuses on equity investment risk, which refers to the risks associated with equity instruments held as investments, particularly musharakah and mudaraba. The guidelines cover the creation of investment goals and strategies, as well as the procedures for investments using profit-sharing instruments. Independent audits and valuations of investments are essential for effectively managing equity investment risk (IFSB, 2005; Rosman et al., 2015).

The third category is Market risk, which can develop at any time during Islamic finance operations, is the fourth category of risk management requirements. All investable assets, including those stored in off-balance-sheet accounts, are susceptible to market risk. The guidelines emphasise the significance of a thorough risk management process and information system, which includes a framework for identifying market risks, guidelines for risk-taking activities across portfolios, and a strong information management system for controlling, monitoring, and reporting market risk exposure and performance (IFSB, 2005; Rosman et al., 2015).

In Islamic banking, liquidity risk management is the four categories. Maintaining the liquidity of funds provided by current account holders and unrestricted IAHs (investment accounts) is necessary to ensure that donors may access their money whenever they need it. Good liquidity management necessitates a different framework for each type of account, a strategy for measuring and monitoring liquidity, enough financing capacity, access to cash through asset sales and leasebacks, and a crisis management mechanism (IFSB, 2005; Rosman et al., 2015).

The fifth category of risk management in Islamic banking is rate of return risk, which includes shifting commercial risk. As banks are in charge of managing the expectations and liabilities of their investment account holders (IAHs) and current account holders (CAHs), this is a strategic management risk. A rise in benchmark rates can raise banks' rate of return expectations, thus they must be aware of any factors that could contribute to this risk. Companies must have processes in place to detect and measure these aspects. Banks can reduce exposure by using balance sheet procedures, calculating future profit ratios based on market expectations, and developing new Shari'ah-compliant securities. Banks are encouraged to keep an adequate level of profit equalisation reserve (PER) for risk mitigation in order to control misplaced commercial risk (IFSB, 2005; Rosman et al., 2015).

Operational risk is the sixth category of risk in Islamic banking, and it derives from ineffective internal procedures, staff, and systems, as well as from failing to adhere to Shari'ah standards and keep fiduciary obligations. To minimise these risks, Islamic banks must plan for anticipated occurrences that might disrupt operations, create a

regulated environment for risk management, and conduct frequent efficiency reviews. Internal controls should be examined through independent audits by internal and external auditors. Shari'ah compliance should be a continuing concern, with Shari'ah principles and norms embedded into contract contracts. It is proposed that a separate Shari'ah department be established to examine compliance on an annual basis (IFSB, 2005; Rosman et al., 2015).

There is little difference between the risks that conventional banks incur and those that Islamic banks confront. As indicated earlier, the only difference is that Islamic banks confront unique risks. Islamic banks are distinct from conventional banks because of the stringency of Shari'ah law. When the development of value involves risk, then risk is allowed in Islam. But it turns into gambling when it adds no value. The risk must also be inevitable and tightly connected to actual value-adding deals. Islamic banks encounter different types of risk than their conventional counterparts because of specific requirements to adhere to Islamic standards (Haron et al., 2015).

Issues and Challenges

In the context of Bangladeshi Islamic banking, effective contract complexity management needs a comprehensive approach to risk identification, evaluation, and comprehension. Failure to appropriately address risks can have catastrophic consequences for Islamic banks, emphasising the importance of strong risk management practices (Wahyudi et al., 2015). As a result, Islamic banks in Bangladesh face substantial challenges in competing with conventional banks' well-established practices, emphasising the importance of specific risk management techniques that adhere to Shariah principles (Ali Basah et al. , 2018).

Four significant difficulties and challenges in risk management come from the Bangladeshi Islamic banking sector. These challenges include infrastructure, financial engineering, product offerings, and Shari'ah auditing, all of which provide unique challenges for Islamic banks. Addressing these challenges is critical to the resilience and competitiveness of Bangladesh's Islamic banks, as they traverse the complexity of risk management within the unique framework of Shariah compliance.

Infrastructure

In Bangladesh, Islamic banks face considerable challenges in building solid infrastructure to support effective risk management practices. Infrastructure is the foundation of these banks' risk management systems, including fundamental frameworks, technological capabilities, and regulatory compliance measures (Romzie, 2009). According to Romzie (2009), a comprehensive risk management process includes risk identification, assessment, and mitigation, which necessitates a strong infrastructure for data analysis, modelling, and monitoring.

Despite the importance of infrastructure in risk management, Islamic banks in Bangladesh have significant weaknesses and vulnerabilities in this area.According to Chapra (2014) research reveals problems in risk management and governance practices among the country's Islamic banks. These inadequacies are frequently

exacerbated by infrastructure challenges, such as issues with accounting framework consistency and regulatory discrepancies between Islamic and conventional banks.

Furthermore, Bangladesh's Islamic banks have considerable challenges due to its inadequate risk management infrastructure. Limited resources, high costs, and technological limits all make it difficult to implement advanced risk assessment and monitoring methods (Malim, 2015). The paucity of suitably educated individuals exacerbates these challenges, impeding the implementation of modern risk management technology and practices.

Addressing infrastructure-related challenges in risk management requires collaborative efforts from a variety of stakeholders, including government officials, regulatory agencies, and industry actors. Government participation is required to give the necessary assistance and resources to improve the infrastructure and technological capabilities of Islamic banks. Regulatory frameworks should be customised to meet the special needs of Islamic banking while remaining consistent with international standards.

Furthermore, collaboration between Islamic banks and technology suppliers might help to create and execute creative solutions to infrastructure challenges. Investing in training and capacity-building projects is critical for equipping employees with the skills and knowledge needed to effectively use risk management techniques and technologies.

By proactively addressing infrastructure challenges, Bangladeshi Islamic banks can improve their risk management capabilities, operational resilience, and stakeholder trust and confidence. As a result, the Islamic banking sector in Bangladesh will experience long-term expansion and competitiveness.

Financial engineering

Financial engineering is a critical process in Islamic banking, involving design, solution formulation, and development, all with the goal of addressing complex financial challenges using innovative financial theories and instruments (Shaaibith, 2020). This process is critical for Islamic financial institutions in Bangladesh, as the evolution of existing financial mechanisms towards greater economic efficiency faces substantial challenges as financial technology advances (Alaro & I., 2011; Shaaibith, 2020).

One of the most significant challenges facing Islamic financial institutions in Bangladesh is the development of new products that not only adhere to Islamic-based Shari'ah criteria but also meet the different financial needs of customers. Shari'ah compliance involves a variety of factors, including the prohibition of usury, gharar, and participation in sectors prohibited by Islamic law, needing careful attention in product design and implementation (Alhasadi & Ilhusadi, 2018; Munawar Iqbal and David T. Llewellyn, 2019). This challenge emphasises the significance of integrating financial innovation with Islamic principles while maintaining liquidity, portfolio diversification, and investor confidence.

To resolve these challenges, Islamic financial institutions must demonstrate a steadfast commitment to Shari'ah compliance and transparency in their activities. Building public trust necessitates a detailed understanding of financial products' risk-return characteristics and efficient communication of these aspects to customers (Chapra, 2014; Fahada et al., 2022). Furthermore, coordination with Islamic legal scholars or muftis is required to guarantee that new products are compatible with Islamic jurisprudence, promoting consistency and clarity in product offers (Alhasadi & Ilhusadi, 2018).

In addition to regulatory compliance and customer trust, Islamic banking organisations prioritise risk management in their financial engineering. Mitigating risk necessitates a comprehensive strategy that incorporates both traditional Islamic concepts and modern financial tools. Taking lessons from Western or conventional institutions can provide useful insights into risk mitigation techniques, while also emphasising the importance of specialised approaches that reflect Islamic finance's specific characteristics (Alaro & I., 2011).

Furthermore, standardising production methods for new products is a daunting problem that requires coordination among a variety of stakeholders, including Islamic scholars, regulators, and industry practitioners. Achieving consensus on Shari'ah compliance and product viability necessitates rigorous attention to detail and a dedication to ethical principles (Alhasadi & Ilhusadi, 2018; Van Greuning and Iqbal, 2008).

Managing the complexities of financial engineering in Islamic banking necessitates a balanced strategy that combines innovation, adherence to Islamic standards, and good risk management. By proactively addressing these challenges, Islamic financial institutions in Bangladesh may increase their competitiveness, encourage consumer trust, and contribute to the long-term expansion of the Islamic banking sector.

Product Offering

The long-term growth and competitiveness of Bangladesh's financial sector depend on resolving the significant challenges associated with Islamic banking product offering. The sector's ability to compete with conventional banking institutions in the country will depend on how it responds to these challenges. Establishing a distinct identity inside the financial sector of Bangladesh is one of the greatest challenges facing Islamic banking institutions. Critical to the future of Islamic banking and finance (IBF) in Bangladesh is the question of whether it should integrate into conventional systems or carve out a separate area outside of them (Muhammad et al., 2016). Furthermore, the Islamic banking operations in Bangladesh faces a number of difficulties, including the lack of a strong regulatory framework, a shortage of trained workers, and insufficient government assistance, all of which limit its ability to innovate and expand.

The availability of product options is a significant barrier for Islamic banking institutions in Bangladesh. The ability to develop innovative products with specific risk-return profiles that comply with the security and liquidity needs of investors and entrepreneurs is crucial for industry growth (Bhuiyan et al., 2019). Additionally, there is a pressing need to develop innovative Shari'ah-compliant products that are not simple duplicates of conventional banking products. Despite having a comparable regulatory

framework and legal structure to conventional banking, Islamic banking in Bangladesh must strive for more product innovation to meet the changing needs of its diversified customer base. Understanding each product's risk-return characteristics is essential for developing offers that appeal to investors, entrepreneurs, consumers, and the larger Islamic community in Bangladesh (Ali Basah et al., 2018).

Islamic financial products in Bangladesh, while similar to conventional banking products in certain ways, are fundamentally more complicated due to Shari'ah compliance. Transaction costs are frequently incurred as a result of the process of constructing products in accordance with Shariah principles. Furthermore, the industry suffers a scarcity of short-term investment products, limiting its ability to meet the different needs of Bangladeshi investors (Ghiffara & Yogyakarta, 2024). Establishing answers to these challenges that comply with Shari'ah requires collaboration between financial professionals and Shari'ah supervisory bodies. This is especially true in the areas of capital needs and risk management.

Lastly, for Islamic banking in Bangladesh to flourish and prosper in the long run, it is crucial to solve the challenges of product offering. Islamic banking institutions in Bangladesh can increase their competitiveness and reach a larger customer base by innovating and broadening their product portfolios while adhering to Shari'ah norms. To overcome these challenges and influence the future path of Islamic banking in Bangladesh's financial landscape, collaboration, research, and an unwavering dedication to Shari'ah compliance are essential.

Shari'ah Audit

Islamic banking risk management in Bangladesh presents unique considerations and mitigation challenges. The fundamental monitoring tool for insuring Shariah compliance, Shariah auditing is a crucial component of effective risk management practices inside Islamic financial institutions (IFIs) (Isa et al., 2020). For Islamic financial institutions, the main objective of conducting regular audits in accordance with Shariah law is to build robust internal control mechanisms that ensure the institution complies with Islamic law (Hanim Tafri et al., 2011). For Islamic financial institutions to remain true to their mission, it is essential that they have access to objective assessments of how well they follow Shariah regulations. This is where Shariah auditors come in.

However, a number of challenges, particularly with regard to Shariah compliance auditing, limit the effectiveness of Shariah audit practices in Islamic financial institutions in Bangladesh. Existing auditing standards, such as those established by AAOIFI, frequently focus on financial statements rather than the broader scope of Shariah audit, which includes all IFI activities based on maqasid al-shariah (Agus Arwan, 2018). This mismatch may indicate a reduced level of assurance in Shariah review processes, preventing full scrutiny. Furthermore, relying on external auditors who may lack Shariah competence offers challenges to autonomous decision-making and complete compliance monitoring (Shah et al., 2017).

The competency of Shariah auditors remains a major challenge, exacerbated by a lack of knowledge in both Shariah and accounting disciplines. Shariah auditors must have a solid understanding of Shariah principles as well as accounting practices in order to audit IFIs effectively. However, the paucity of persons having dual Shariah and accounting qualifications in Bangladesh's Islamic banking industry exacerbates the problem. This scarcity may be due, in part, to opaque recruiting processes and a lack of attention on certifications required to sustain Islamic financial principles (AAOIFI Auditing Standard, 2015).

These problems highlight the significance of enhancing Shariah audit practices inside Bangladeshi Islamic financial institutions in order to improve risk management implementation. Addressing the shortage of trained staff and cultivating interdisciplinary competence in Shariah and accounting are critical steps towards guaranteeing strong oversight and adherence to Islamic financial rules. Prioritising education and professional development in Shariah auditing will help IFIs improve their risk management capacities while also upholding the vision and aims of Islamic finance in Bangladesh.

Conclusion

For Islamic banking institutions in Bangladesh to continue growing and surviving, it is essential to handle the complex challenges in risk management. These challenges are multi-faceted and necessitate proactive answers. They include infrastructure, financial engineering, product offerings, and Shariah audit, among others. Islamic banks in Bangladesh must acknowledge and handle these challenges well if they want to be competitive and adhere to Islamic finance principles in the country's financial system.

For Islamic banking institutions in Bangladesh, infrastructure development stands out as a top priority. For strong risk management practices, it is essential to improve the basic framework and technical capacities. The growth of infrastructure is frequently impeded by limited resources and technological constraints, which make it difficult to identify and monitor threats in a timely manner. In order to fortify their risk management systems and adjust to changing market dynamics, Islamic banks must engage in infrastructure and take use of technological advances.

Among Islamic banking in Bangladesh's many difficulties are financial engineering. Innovative financial instruments that adhere to Shariah standards necessitate specialised knowledge and strict adherence to Islamic legal principles in their design and development. Innovation and variety in products are hindered by the lack of skilled individuals who are knowledgeable in both financial engineering and Shariah law. By working together with specialists in Shariah law and financial engineering, we can meet the demands of Bangladeshi consumers with new products that adhere to Islamic values.

In the context of Islamic banking in Bangladesh, product offers are an essential part of risk management. To stay competitive in the market, it is vital to provide a diversified portfolio of Shariah-compliant products that meet the preferences and risk appetites of clients. Challenges for Islamic banks in Bangladesh include the difficulty of creating products that comply with Shariah law and the lack of short-term investment

possibilities. Through navigating these challenges and developing creative solutions that satisfy the different demands of clients, collaboration with financial experts and Shariah scholars is essential.

Shariah audit is an integral component of the risk management strategy for Islamic banking in Bangladesh. Maintaining the integrity and trust of stakeholders requires regular audits to ensure Shariah compliance. However, efficient compliance monitoring is hindered by challenges such as a lack of thorough auditing standards and a shortage of qualified Sharia accountants. By investing in professional development and strengthening Shariah audit practices, Islamic banking institutions in Bangladesh can increase the effectiveness of their risk management and compliance monitoring.

Finally, to ensure the long-term viability and competitiveness of Islamic banking in Bangladesh, it is crucial to solve the challenges and problems in risk management. Islamic banks in Bangladesh can adhere to the principles of Islamic finance while managing the difficulties of risk management through infrastructure investment, financial engineering expertise-building, product diversification, and strengthened Shariah audit practices. Taking proactive steps and working together are crucial if Islamic banking in Bangladesh is to overcome these challenges and continue to grow and remain resilient.

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USURY AND ITS ISLAMIC AND INTERRELIGIOUS DIMENSIONS

Camille Paldi

Introduction

Usury or excessive interest is prohibited in all of the Holy Books including the Torah, Bible, and Qu'ran for similar reasons. All of the great Prophets including but not limited to Moses (PBUH), Jesus (PBUH), and Muhammad (PBUH) prohibited excessive interest as it was seen as a mechanism to exploit the poor and actually steal their wealth. Usury is an unproductive means of earning income leading to societal decay, exploitation, and warfare among other things. In this paper, I will examine the concepts of usury in Judaism, Christianity, and Islam and show the similarities and differences in how each religion defines, examines, and punishes usury respectively.

Usury in Judaism

In Judaism, usury is prohibited amongst Jews themselves in Exodus 22:24, Leviticus 22: 35-37, and Deuteronomy 15:7-8; 23: 20-21. Exodus 22:24 states,

"If you lend money to my people, to the afflicted-one (who lives) beside you, you are not to be to him like a creditor, you are not to place on him excessive interest." (Fox 1995, 382)

Leviticus 25: 35-38 states,

"Now when your brother sinks down (in poverty) and his hand falters beside you, then shall you strengthen him as (though) a sojourner and resident-settler, and he is to live beside you. Do not take from him biting-interest or profit, but hold your God in awe, so that your brother may live beside you! Your silver you are not to give him at interest, for profit you are not to give (him) your food; I YHWH am your God who brought you out of the land of Egypt to give you the land of Canaan, to be for you a God!" (Fox 1995, 631)

Deuteronomy 23: 20-21 states,

"You are not to charge interest to your brother, interest in silver, interest in food, interest in anything for which you may charge-interest. The foreigner you may charge interest, in order that YHWH your God may bless you in all the enterprises of your hand on the land that you are entering to possess." (Fox 1995, 957)

It is clear that the Torah prohibits usury between Jews, however, in Judaism, the interpretation of the Torah or the Oral Torah carries more weight than what is clearly written in the actual Torah as Judaism is an interpretative tradition. Therefore, in order to analyze these few passages about usury in the Torah, one would have to examine the Mishnah and possibly the Gemarra and the Midrash amongst other things.

"The Written Torah is the primary source of Judaism transmitted from God to Prophet Moses (PBUH) on Mt. Sinai. However, there were gaps in the Torah, which needed explanation, especially to connect the words of the Torah to modern day life, as Judaism is also an ethos or spirit of the Jewish people. Therefore, sages interpreted the Written Torah into an Oral Torah and formulated the Mishnah and Gemara (Talmud) and midrash, which have just as much if not more clout than the written Torah and is also considered the word of God. "Although the Written Torah, as a physical object, has greater iconic significance…Jewish life (especially halakhic) life is much more based on the Oral law than on the Written Law. (Fraade 2012, 39)""(Paldi 2023)

According to Meir Tamari, "It is quite clear that almost all authorities follow the Mishnaic ruling permitting interest-bearing loans involving non-Jews: 'It is not permissible to receive assets [for the purpose of operating with them, e.g. sheep given to a shepherd under condition that the owner and shepherd share in the wool, lambs, and milk] with responsibility, [where the full responsibility in case of theft or death of the flock falls on the receiver] from a Jew, since this is interest. [It is rabbinic interest, according to Maimonides, since the owner has no share in the risk. Other authorities, like Tosafot, see this as ribbit mideoraita as the profit accrues to the shepherd, who pays a fixed sum annually to the owner for the use of his capital.] It is permissible, however to accept such assets from a Gentile. It is permitted to borrow from Gentiles and to lend to them interest-bearing loans. This ruling also applies to a gertoshav [a Gentile who lives in the Land of Israel and accepts the seven Noahide laws].'" (Tamari 2014, 194-195)

Meir Tamari says that in terms of punishment for usury, "all parties to the transaction are guilty of violating religious injunctions." (Tamari 2014, 191) According to Tamari, this includes the lender, the agents and go-betweens, and the receiver of the loan with interest. (Tamari 2014, 191) Tamari says that, "The halakha distinguishes between that interest forbidden directly by the Torah (ribbit mideoraita) and that which is forbidden according to rabbinic law (ribbit miderabbanam)." (Tamari 2014, 192) Tamari explains, "Although both of them are forbidden to Jews, the religious implications of the former are more stringent." (Tamari 2014, 192) In terms of the first category, "The Torah is understood to directly forbid loans in which the recipient is liable to pay a known sum for the use of money…This is known as apportioned interest, or ribbit ketsutsa." (Tamari 2014, 192) In terms of rabbinic interest, "The easiest example to cite is the hire-purchase (installment plan) system. In this case, Reuven does not formally loan Shimon the thousand dollars. Rather, he sells him goods that are valued at the time of sale at a thousand dollars and gives him sixty days credit. In exchange for this credit, Shimon will pay Reuven an additional, agreed-upon fee over and above the purchase price. In actual fact, however, Reuven is receiving a payment in exchange for waiting for his money, which is in the economic sense considered interest. Halakhically, too, this is considered interest. Yet, it is distinct from that defined by the Torah, and so is considered 'rabbinic interest.' The levying of rabbinic interest is forbidden…" (Tamari 2014, 193)

"One Mishnah says, "Moreover Hillel used to say, "A woman may not lend a loaf of bread to her neighbor unless she determines its value in money, lest wheat should rise

in price and they are found to be engaging in usury."" (Mishnah Bava Metzia 5:9) (Sefaria) In Islam, this can be seen as a kind of riba (usury) of excess or riba al fadl. If the woman wants to avoid usury, she should determine the price of the bread in money at the time of delivery to avoid riba of excess in case the price of wheat should rise and she might receive back something worth more than what she lent.

Islamically speaking, "If there is exchange among the same specie of ribawi goods, it has to be done on the spot and should be of equal quantities. If the quantities exchanged differ, even in spot transactions, then it will constitute riba of excess (Riba al fadl) or surplus riba. Rules of riba of excess also prohibit exchange of dissimilar quantities of a genus with different qualities (such as exchanging one unit of high- quality dates with two units of low- quality dates). According to Visser, there is a ban on exchanging, for example, two low-quality dates for one high-quality date, even if it is permitted to sell the low-quality dates for money and use the receipts for buying a high-quality date." (Paldi 2014, 252) "Zuhayli says that 'Surplus riba is the sale of similar items with a disparity in amount in the six canonically-forbidden categories of goods: gold, silver, wheat, barley, salt, and dry dates.' It is the violation of the 'equal for equal' rule in spot transactions of the same goods of a particular genus. Zuhayli explains that, "This type of riba is forbidden in order to prevent it being used as a pretext to committing credit riba, such that a person sells gold, for example, on credit, then pays back in silver more than the equivalent of what he had taken in gold." To avoid riba, the commodity has to be exchanged with some other genus and then traded with the desired commodity (high-quality dates with wheat or silver and then wheat or silver with low quality dates).""(Paldi 2014, 252).

"Narrated by Abu Said Al-Khudri and Abu Huraira: Allah's Apostle appointed somebody as a governor of Khaibar. That governor brought to him an excellent kind of dates (from Khaibar). The Prophet asked, 'Are all the dates of Khaibar like this?' He replied, 'By Allah, no, Oh Allah's Apostle! But we bartered one Sa of this type (type of dates) for two Sas of dates of ours and two Sas of it for three of ours.' Allah's Apostle said, 'Do not do so (as this is a kind of usury) but sell the mixed dates (of inferior quality) for money, and then buy good dates with that money'" (Bukhari, vol. 3, book 34, no. 405; see also Muslim, book 10, number 3875)(Paldi 2014, 252).

Either the woman should give the bread a monetary price upon loaning it or exchange the bread for money and then give the money as a loan. As I have demonstrated, the concept of riba corresponds and correlates between the Abrahamic religions and this connection deserves to be explored further." (Paldi 2023)

Usury in Christianity

Many people remember in the Bible when Jesus smashes the moneylenders' stalls. Why was Jesus so vehemently opposed to usury? Precisely because it was a tool being used by the rich to exploit the poor, turning the people into slaves, and served as a way for the moneylending class to usurp the wealth and land of the people. Usury is mentioned in the Bible at 2 Kings 4: 1-7; Nehemiah 5:1-5, 6-13; Psalm 15; Proverbs 28:8; Isaiah 24:2; Jeremiah 15:10; Ezekiel 18: 8-17; St. Matthew 6:12; St. Matthew 18: 21-35; St. Matthew 21: 12-13; St. Matthew 25:27; St. Mark 11: 15-17; and St. Luke 19: 45-47.

2 Kings 4: 1-7 states,

"Now there cried a certain woman of the wives of the sons of the prophets unto Elisha, saying, Thy servant my husband is dead; and thou knowest that thy servant did fear the Lord: and the creditor is come to take unto him my two sons to be bondmen. And Elisha said unto her, What shall I do for thee? Tell me, what hast thou in the house? And she said, Thine handmaid hath not anything in the house, save a pot of oil. Then he said, Go, borrow three vessels abroad of all thy neighbors, even empty vessels; borrow not a few. And when thou art come in, thou shalt shut the door upon thee and upon thy sons, and shalt pour out into all those vessels, and thou shalt set aside that which is full. So she went from him, and shut the door upon her and her sons, who brought the vessels to her; and she poured out. And it came to pass, when the vessels were full, that she said unto her son, Bring me yet a vessel. And he said unto her, There is not a vessel more. And the oil stayed. Then she came and told the man of God. And he said, Go, sell the oil, and pay they debt, and live thou and they children of rest." (Bible 2019, 452-453)

In this passage, the creditor has come to take the two sons of the woman as slaves. This passage correlates with the phenomena we are witnessing today where humanity is on the brink of mass slavery. Some say we are already debt slaves. This Biblical passage aligns with the Islamic belief that one should help relieve or relieve the debts of others if only ye knew what was good for you. (Qu'ran 2: 280) During the course of events, Elisha displays mercy on the woman and shows the woman how she can sell her oil and save her sons from slavery.

In Nehemiah 5:1-5, 6-13,

"And there was a great cry of the people and of their wives against their brethren the Jews. For there were that said, We, our sons, and our daughters, are many: therefore we take up corn for them, that we may eat, and live. Some also there were that said, We have mortgaged our lands, vineyards, and houses, that we might buy corn, because of the dearth. There were also that said, We have borrowed money for the king's tribute, and that upon our lands and vineyards. Yet now our flesh is as the flesh of our brethren, our children as their children: and, lo, we bring into bondage our sons and our daughters to be servants, and some of our daughters are brought unto bondage already: neither is it in our power to redeem them: for other men have our lands and vineyards.

And I was very angry when I heard their cry and these words. Then I consulted with myself, and I rebuked the nobles, and the rulers, and said unto them, Ye exact usury, every one of his brother. And I set a great assembly against them. And I said unto them, We after our ability have redeemed our brethren the Jews, which were sold unto the heathen; and will ye even sell your brethren? Or shall they be sold unto us? Then held their peace, and found nothing to answer. Also I said, it is not good that ye do: ought ye not to walk in the fear of our God because of the reproach of the heathen our enemies? I likewise, and my brethren, and my servants, might exact of them money and corn: I pray you, let us leave off this usury. Restore, I pray you, to them, even this

day, their lands, their vineyards, their olive yards, and their houses, also the hundredth part of the money, and of the corn, the wine, and the oil, that ye exact of them. Then said they, We will restore them, and will require nothing of them: so will we do as thou sayest. Then I called the priests, and took an oath of them, that they should do according to this promise. Also, I shook my lap, and said, So God shake out every man from his house, and from his labor, that performeth not this promise, even thus be he shaken out, and emptied. And all the congregation said, Amen, and praised the Lord. And the people did according to this promise." (Bible 2019, 586-587)

Here, In this biblical passage, the money-lenders have usurped the land of the people and their children as well as themselves are in danger of becoming slaves to the new landowners. These are the dangers of usury present across all religions and cultures and prevalent today in the modern world. In fact, Thomas Jefferson famously said,

"If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children wake up homeless on the continent their Fathers conquered." (Monticello 2023)

This is a powerful statement by one of the Founding Fathers, who was known to have studied Islam. In modern times, if the private banks print money and then loan it out at interest, the people will not only become slaves to corporations and other entities, but they will also wake up homeless on their own land according to Jefferson. In fact, President Kennedy tried to issue silver certificates printed by the government as currency in the USA, but was unsuccessful.

In addition, if private banks print and lend money at interest, the earth will become a playground for war-profiteering, killing two birds with one stone. On the one hand, money-lenders will become richer from pitting people against each other including the People of the Book, while humanity will be distracted from the fact that they are being turned into slaves. The only way out is to build a financial system, which does not transact in usury. It would also be helpful if the People of the Book, Jews, Christians, and Muslims united in this cause. According to Dr. Muhamad Hanif, "It is the responsibility of all true believers in God (Jews, Christians, and Muslims) to give up interest based transactions from their personal lives immediately and input their energies collectively to design, promote, and implement a financial system free of interest." (Hanif 2014, 39)

Psalm 15 states,

"Lord, who shall abide in they tabernacle? Who shall dwell in they holy hill? He that walketh uprightly and worketh righteousness and speaketh the truth in his heart. He that backbiteth not with his tongue, nor taketh up a reproach against his neighbor. In whose eyes a vile person is contemned; but he honoreth them that fear the Lord. He that sweareth to his own hurt, and changeth not. He that putteth not out his money to usury, nor taketh reward against the innocent. He that doth these things shall never be moved. "(Bible 2019, 649)

Who might abide in the Lord's house…'He that putteth not out his money to usury, or taketh reward against the innocent." (Bible 2019, 649)

Proverbs 28:8 states:

"He that by usury and unjust gain increaseth his substance, he shall gather It for him that will pity the poor." (Bible 2019, 750)

According to Bibleref, "Ill-gotten gain through usury will ultimately pass into the hands of the person who is generous to the poor. Justice will overcome injustice." (Bibleref 2023)

Jeremiah 15:10 states,

"Woe is me, my mother, that thou hast borne me a man of strife and a man of contention to the whole earth! I have neither lent on usury, nor men have lent to me on usury; yet every one of them doth curse me." (Bible 2019, 848)

In this instance, the man in question neither lent on usury nor received with usury, yet he is still being cursed. In Biblical times, engaging with interest was seen as an evil.

Ezekial 18: 8-17 states,

"He that hath given forth upon usury, neither hath taken any increase, that hath withdrawn his hand from iniquity, hath executed true judgment between man and man, Hath walked in my statutes, and hath kept my judgments, to deal truly; he is just, he shall surely live, saith the Lord God. If he beget a son that is a robber, a shedder of blood, and that doeth the like to any one of these things, And that doeth not any of those duties, but even hath eaten upon the mountains and defiled his neighbor's wife, Hath oppressed the poor and the needy, hath spoiled by violence, hath not restored the pledge, and hath lifted his eyes to the idols, hath committed abomination, Hath given forth upon usury, and hath taken increase: shall he then live? He shall not live: he hath done all these abominations; he shall surely die; his blood shall be upon him. Now, lo, if he beget a son, that seeth all his father's sins which he hath done, and considereth, and doeth not such like, That hath not eaten upon the mountain, neither hath lifted up his eyes to the idols of the house of Israel, hath not defiled his neighbor's wife, Neither hath oppressed any, hath not withholden the pledge, neither hath spoiled by violence, but hath given his bread to the hungry, and hath covered the naked with a garment, That hath taken off his hand from the poor, that hath not received usury not increase, hath executed my judgments, hath walked in my statutes; he shall not die for the iniquity of his father, he shall surely live." (Bible 2019, 925-926)

If you have followed God's laws including but not limited to NOT taking an increasing in wealth through usury and exploiting the poor, you shall live!

St. Mathew 18: 21-35 states,

"Then came Peter to him, and said, Lord, how oft shall my brother sin against me, and I forgive him? Till seven times? Jesus saith unto him, I say not unto thee, Until seven times; but; Until seventy times seven. Therefore is the kingdom of heaven likened unto a certain king, which would take account of his servants. And when he had begun to reckon, one was brought unto him, which owed him ten thousand talents. But forasmuch as he had not to pay, his lord commanded him to be sold, and his wife, and children, and all that he had, and payment to be made. The servant therefore fell down, and worshipped him, saying, Lord, have patience with me, and I will pay thee all. Then the lord of that servant was moved with compassion, and loosed him, and forgave him the debt. But the same servant went out, and found one of his fellowservants, which owed him an hundred pence; and he laid hands on him, and took him by the throat, saying, Pay me that thou owest. And his fellowservant fell down at his feet, and besought him, saying, Have patience with me, and I will pay thee all. And he would not: but went and cast him into prison, till he should pay the debt. So when his fellowservants saw what was done, they were very sorry, and came and told unto their lord all that was done. Then his lord, after that he had called him, said unto him, O thou wicked servant, I forgave thee all that debt, because thou desiredst me: Shouldest not thou also have had compassion on they fellowservant, even as I had pity on thee? And his lord was wroth, and delivered him to the tormentors, till he should pay all that was due unto him. So likewise shall my heavenly Father do also unto you, if ye from your hearts forgive not everyone his brother their trespasses." (Bible 2019, 1070)

In this passage, "Jesus tells a parable about the servant of a king. The king forgives the man's enormous, unpayable debt. In turn, the servant refuses to forgive the much smaller debt owed him by another and has that man thrown in prison. The king is furious and asks the servant why he did not show the same mercy he had been given. The king has the man jailed until he pays everything. Jesus says that God the Father will do the same to those who do not forgive their brothers." (Bibleref 2023)

Again, one should display mercy in cancelling the debts of others (if only you knew what was good for you) and especially so if in your life, someone showed you mercy through the cancellation of debt. In this passage, importance is placed on helping fellow humanity out of debt, whether through cancelling debt or otherwise indirectly through devising a new financial system, which is based on alternative modes of finance rather than usury. Whichever the case, it is important to do your part to help humanity out of debt slavery, as it may have many adverse effects on human kind.

St. Matthew 21: 12-13 states,

"And Jesus went into the temple of God, and cast out all them that sold and bought in the temple, and overthrew the tables of the moneychangers, and the seats of them that sold doves, And said unto them, It is written, My house shall be called the house of prayer, but ye have made it a den of thieves." (Bible 2019, 1073)

And in this last Biblical passage, Jesus smashes the moneylenders' stalls at the temple, calling it a 'den of thieves.' It is clear that in the Bible, usury is frowned upon and that helping each other out of debt and debt slavery is encouraged and rewarded.

Usury In Islam

The prohibition of excessive interest or riba can be found in various verses of the Qu'ran and in the Shari'ah. For the purposes of this paper, I will focus on the verses found in the Qu'ran itself, the direct word of God. The Qu'ran uses harsh language concerning the prohibition of usury, but in my opinion, that is because those who utilize usury to exploit the masses are actually engaging in a type of war against humanity. In addition, it is stressed in the Qu'ran to relieve the debts of others, similar to the Bible. Although the Bible emphasizes the usurpation of land and wealth and the imminent possibility of slavery for the people, the Qu'ran focuses on the hellfire and warfare against those who engage in usury. As you will see below, charity is also a large component of Islam. I referred to the Meezan Guide to Islamic Banking as a reference for the below verses.

Surah al Baqarah (The Cow) states,

(2:275 – 2:281)

(2:275)

"Those who devour usury will not stand except as stands one whom the Satan by his touch hath driven to madness. That is because they say: "Trade is like usury and Allah hath permitted trade and forbidden usury. Those who after receiving admonition from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (the offence) are Companions of the Fire; they will abide therein (forever)."

The hellfire is reserved for those who engage in usury. Trade is permitted, but usury is prohibited. One should earn one's living through a productive activity, which fuels the economy and economic growth. Islamic finance has developed various modes of finance without usury and based on profit and loss sharing. In contrast, in interest-based financing, the creditor and lender do not engage in profit and loss sharing.

"In an interest- based loan, the creditor receives a fixed rate of return no matter how much profit or loss the venture makes. If the venture makes a lot of money, the creditor receives a fixed rate of return. It would be more just if the creditor shared in the profits rather than just receiving a low fixed rate of return in the form of interest. If the venture makes a loss, the creditor still receives a fixed rate of return and the debtor bears the risk of the loss. It would be more equitable if the creditor shared in the loss rather than receiving an abnormally high rate of return in the form of interest." (Taqi Usmani) (Paldi 2014)

(2:276)

"Allah will deprive usury of all blessing but will give increase for deeds of charity: for He loveth not any ungrateful sinner."

There is an emphasis on giving charity in Islam.

(2:277)

"Those who believe, and do deeds of righteousness, and establish regular prayers and give Zakat, will have their reward with their Lord: on them shall be no fear, nor shall they grieve."

Those who give Zakat will be rewarded.

(2:278)

"O ye who believe! Fear Allah, and give up What remains of your demand for usury, if ye are indeed believers."

Indeed, the believers will give up usury.

(2:279)

"If ye do it not, take notice of war from Allah and His Messenger: but if ye repent ye shall have your capital sums: deal not unjustly, and ye shall not be dealt with unjustly."

Here, it is said that Allah will wage war against those who engage in usury. Again, such harsh language may be being used so as to emphasize the possibility that money-lenders are actually waging an economic war against the people.

(2:280)

"If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if ye remit it by way of charity, that is best for you if ye only knew."

Cancelling debt is also rewarded and is emphasized similar to that in the Bible. It is better for you, if you only knew.

(2:281)

"And fear the Day when ye shall be brought back to Allah. Then shall every soul be paid what it earned, and none shall be dealt with unjustly."

And fear the day when ye shall be brought back to Allah! One shall be judged, and the Book of Deeds shall be opened. It is interesting to note that one shall be paid what one actually earned while on earth. I wonder how He was aware that people would be exploited through the wage-earning system, where people receive a wage rather than

the value – added to the work/product and do not share in the profit with the owners of the means of production.

Surah al Imran (The Family of Imran) states,

(3:130 – 3:132)

(3:130)

"O ye who believe! Devour not Usury, doubled and multiplied: but fear Allah: that ye may (really) prosper."

(3:131) 41

"And fear the Fire, which is prepared for those who reject Faith."

(3:132)

"And obey Allah and the Messenger; that ye may obtain mercy."

One can (really) prosper through transacting in a financial system without interest. Again, the punishment for those who engage in usury is the Hellfire. Mercy is the reward for those who obey Allah and the Messenger.

Sura An-Nisaa (Women) states,

(4:161)

"That they took usury, though they were forbidden; and that they devoured men's wealth wrongfully; - We have prepared for those among them who reject Faith a grievous chastisement."

Those who earned wealth through usury and exploited the poor will surely be punished.

Surah ar-Rum (The Romans) states,

(30:39)

"That which you give in usury for increase through the property of (other) people, will have no increase with Allah; but that which you give for charity, seeking the Countenance of Allah, (will increase); it is these who will get a recompense multiplied."

Giving in charity will be rewarded, whether it is the return of that money in the afterlife or the avoidance of calamity during the life in the dunya.

What is the benefit of financing in Islam without interest? Taqi Usmani says that every financing in Islam creates real assets. Taqi Usmani says, "It is known, on the other hand, that interest-based financing does not necessarily create real assets, therefore, the supply of money through the loans advanced by financial institutions does not normally match with the real goods and services produced in the society, because the loans create artificial money through which the amount of money supply in increased, and sometimes multiplied without creating real assets in the same quantity. This gap between the supply of money and production of real assets creates or fuels inflation. Since financing in an Islamic system is backed by assets, it is always matched with corresponding goods and services." (Usmani 2001, 14) Thomas Jefferson, who noted the inherent dangers of allowing private banks to print and loan out money at interest, would most likely agree that the Islamic financial system should be studied to create a new financial system for America and possibly the world without interest. When banks print and loan out money at interest, humanity is at danger of imminent slavery and becoming pawns on the stage of divisive war-profiteering. When existing in a financial system where one person's gain is another person's loss and where people are admired for making the zero-sum financial 'killing' to gain wealth, the side effects might include death and destruction for the planet and its' people.

Conclusion

This paper includes passages from all of the Holy Books including the Torah, Bible, and Qu'ran regarding usury and its' prohibition and punishment. Similar themes of the evils of exploitation and poverty and the hopes of justice and mercy parallel each other in the sacred texts. Transacting in a financial system based on interest leads to the creation of an elite wealthy class, whom exploits the masses to gain wealth at the expense of the majority of humanity through a means of unproductive labor. This has deleterious consequences for the people of the earth as we have seen in the case of slavery, debt-bondage, warfare and war-profiteering, and the destruction of the planet. The momentous occasion is upon us where we now have the opportunity to encourage collaboration between Jews, Muslims, and Christians to cooperate based on the teachings of their respective religions to study, discuss, and formulate modes of interest-free finance for each other and the world.

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ISSUES, CHALLENGES AND OPPORTUNITIES OF ISLAMIC SOCIAL ENTERPRISE IN BANGLADESH: A PROPOSAL FOR ADVANCEMENT

Md Golam Martoza and Romzie Rosman
IIUM Institute of Islamic Banking and Finance (IIiBF)
International Islamic University Malaysia Kuala Lumpur, Malaysia
golamartozauia@gmail.com, romzie@iium.edu.my

Abstract

Islamic social enterprise is a community wellbeing-centric organization which could be an alternative sustainable full spectrum for achieving socio-economic justice in the context of Islamic economics. Unfortunately, the potentiality of Islamic social enterprise is considerably constrained by various issues and challenges. This paper explores a detailed analysis of the existing issues and challenges of Islamic social enterprise in Bangladesh. Therefore, this paper presents the current position of Islamic social enterprise in terms of socio-economic justice; and covers the range of regulatory framework and opportunities. The qualitative method is employed to address the internal issues and challenges facing traditional and Islamic social enterprise; and then, approach the literature review. To this end, finding of this paper provides several proposals which may further advancement and inclusiveness of Islamic social enterprise organization in Bangladesh.

Keywords: Islamic social enterprise, Socio-economic justice, Policymakers, Bangladesh

Introduction

The primary source of Islamic law is Quran and Sunnah. Muslims are encouraged in accordance to the teaching of the Quran and Hadith in their daily activity and business dealings. The Holy Quran states the objective of Islamic economic system is to establish the socio-economic justice in society through distribution of wealth in circulation among all sections of the community for seeking Allah's bounty and pleasure, and standing up for Allah and His Messenger, (59:8). Prophet Muhammad (pbuh) led his life as a humble merchant and

He was the trustworthy person to all people in the pre-Islamic society. His teachings and examples of business dealings were strongly linked to humanitarian values where the poor, the sick and orphans took precedence. He acknowledged the suffering of people in surrounding environments and continually created solutions for them while creating a system that would ensure their care long after his passing. The mention of Muhammad is significant to understand how today's Muslims are encouraged to

create wealth; supporting the notion of an existing relationship between Islamic social enterprise and business.

Islamic Social enterprise is considered as a third sector economic organization with a vast potential and wide spectrum in achieving socio-economic justice. Islamic social enterprise refers to an organizational structure which is bearing similar characteristics and sub-set of Islamic social entrepreneurship model using Islamic social finance as well as Islamic commercial products and services with specific focus on innovative social business practices initiated by the Islamic social entrepreneur. Additionally, Islamic social enterprise represents the socio-economic justice for redistribute wealth to reducing poverty, employment generation and economic growth in the society. Islamic social enterprise organization includes two main characteristics: First, the Islamic social finance sector has its own institutions and instruments that are aligned with Shari'ah principles that includes the traditional Islamic institutions based on philanthropy (Zakat, Waqf, Sadaqah), those based on cooperation (Qard al-Hasan and Kafalah), and the contemporary Islamic not-for profit microfinance institutions using for-profit modes to cover costs and sustain their operations, (IRTI, 2014). Second, Shari'ah compliant commercial financial institutions include financial institutions and all the financial instruments that generate a return in compliance with Shari'ah principles and that target a social impact, (Jouti, 2019). In terms of objective, Islamic Social Enterprises (ISEs) can be distinguished from traditional Social Enterprises based on their Islamic objectives (Maqasid al-Shariah); and embedded with Islamic practices in their daily operations in terms of governance, ethics, social and business objectives, (Kamaruddin & Auzair, 2018, 2020; Muhamed et al., 2018). However, the Islamic Social Enterprise remain untapped in most Muslim countries such as; Bangladesh, (Mohiuddin, 2017), despite the fact that Islam considers the development of the entrepreneurial wits of the society as an integral part of national economic progress and development, (Molla et al., 2017), and not only that Islam highly encourage to develop business model.

This paper is structured with the current state of Islamic social enterprise in Bangladesh as it is a major scenario for understanding of social welfare activities and socio-economic justice. Next, this paper explores the legal frameworks for Islamic social enterprise organization in Bangladesh. Then, we discuss the issues, challenges and opportunities of Islamic social enterprise. Finally, this paper provides proposals for advancement to enable Islamic social enterprise to reach its full potential to achieve socio-economic justice in Bangladesh.

The Current State of Islamic Social Enterprise in Bangladesh

In Bangladesh, the Social Enterprise organization emerged as a result of NGOs' activities to microfinance for poverty alleviation after the War of Independence in 1971. For example, BRAC and Grameen, both of which began as microfinance organizations and now run a number of sizable social enterprises. Building on foundations of microfinance, NGOs and cooperatives, as well as business start-ups, there are a growing number of self-identifying social enterprises, (British Council, 2016). However, there is no clear framework, no government recognized definition to understand and operationalize the notion of Islamic social enterprise, although there are many activities in

Bangladesh such as Islamic microfinance, Zakat and Awqaf, (Mohiuddin, 2017). As of right now, Bangladesh lacks comprehensive database records regarding the quantity and scope of Islamic social enterprise, (Salehin, 2016). At the height of its operations, the Association of Muslim Welfare Agencies in Bangladesh (AMWAB) said that it had over 350 member organizations. Nevertheless, their current activities have shrunk to only 200, with many reportedly departing as a result of heightened political and public scrutiny of Islamic organizations, (Uddin and Mohiuddin, 2020).

It is quite difficult to determine an exact number of Islamic social enterprise organizations in Bangladesh due to absence of definition and legal framework by the government. Islamic social enterprise organizations have currently been relied on NGOs, MSMEs and other society organizations. According to the Registration Wing of the Social Services Department under the Ministry of Social Welfare, there are 80,003 registered voluntary organization as for 2018, 4,448 of which are orphanages and 75,555 of which are general social service organizations. This branch of the government found 9,888 VOs that have been inactive for the last two years, but have not yet cancelled their registration, (Khondaker, 2019). However, if any NGOs wishes to receive foreign funding must be registered with the NGO Affairs Bureau (NGOAB) under the Prime Minister's Office, which was established under the Foreign Donations (Voluntary Activities) Regulation Ordinance (1978), (OECD, 2020). The NGO Affairs Bureau (NGOAB) of the government has registered 2,565 functional NGOs, 2,209 of which are domestic and 256 of which are foreign, (Jugantor, 2017). Islam (date not found/ DNF) reports that the government has cancelled licenses of 6,000 NGOs and charities (all categories) due to their poor management, unnecessary function, and/ or inactivity, (Khondaker, 2019). However, two survey reports launched by British Council, Bangladesh in 2016 titled 'The state of social enterprises in Bangladesh' and 'Social enterprise policy landscape in Bangladesh' estimated that more than 150,358 social enterprises are in operations in Bangladesh (see the table 1) based on NGOs and SMEs. The surveys also indicate that most of the enterprises are young and aged below 35 years and found that 90% of social enterprises are working with individuals from socially and economically disadvantaged communities, (British Council, 2016).

Table 1: Sources of information for total number of Social Enterprises in Bangladesh

Source	Total Number	Social enterprise prevalence rate	Expected total number of social enterprises
NGOs (NGO Affairs Bureau)	2,471	25% (sample size 24)	618
SMEs (SME Foundation)	970,431	15% (sample size 26)	149,297
Online searches	396	100%	396
Organizations that did not complete the survey, but provided data on inclusion criteria	60	78%	47
Total		150,358	

Source: Total Number Social Enterprise Prevalence Rate Expected Total Number Of Social enterprises

The primary suppliers of Islamic microfinance services in Bangladesh are Muslim NGOs and Islamic banks. With the help of Islami Bank's Rural Development Scheme (RDS), Bangladeshi Islamic banks have quickly expanded their Islamic microfinance offerings after realizing their unrealized potential, (SIBL, 2016). Leading global charity Muslim Aid Bangladesh, in the meantime, finances debtors through public contributions and subsidized financing from regional commercial banks and multilateral institutions like the Islamic Development Bank (IsDB), (IsDB, 2017). Bangladesh has been a leader in microfinance and social enterprises, such as BRAC and Grameen Bank, (Uddin, & Mohiuddin, 2020). We do point out that organizations can be for-profit while concentrating on charitable goals, at least in the case of microfinance. This concept might be broadened to encompass social companies that aim to achieve social goals in addition to financial gain, (IRTI, 2017). Most of Islamic

microfinance institutions (IMFIs) are following social business model or the Grameen "group" lending model, (Bhuiyan, 2011) such as; CZM, AMAN, RISDA Bangladesh and so on. In this paper, we explore how Islamic social enterprise organizations are working in Bangladesh in terms of legal forms and defied the traditional profit maximization capitalist vision. For our study, we interviewed individuals who particularly engaged with Islamic social enterprise organization for identify and understand the current issues and challenges.

Legal framework of Islamic Social Enterprises in Bangladesh

In Bangladesh, there is no nationally recognized definition and explicit legal form of Social Enterprises (British Council, 2016), although Bangladesh is the home of Grameen Bank as the pioneers of microfinance and social business movement; and BRAC as social enterprise landscape in Bangladesh has a long history with support funding and entrepreneurship, (ILO, 2020). In terms of the regulatory framework, Islamic social enterprise in Bangladesh could be roughly divided into different legal forms including Sole Proprietorship, Partnership, Private Limited Company, Society, Trust, Social Voluntary Organization and NGO. These legal forms fall into two categories: Some are running as pure commercial businesses or for-profit option under business law; and others part of NGOs or non-profit option under NGO-related laws, (OXFAM, 2015). For profit option, Islamic social enterprise organizations are operated as Islamic microfinance organizations which are regulated by the Microcredit Regulatory Authority Act (2006) and supervised by the MRA, (MRA, 2006). The Microcredit Regulatory Authority Act (2006) regulates both Islamic and conventional MFIs; hence, there is no legal differentiation between the two types of social enterprises. It is the responsibility of the MRA to license MFIs, oversee their operations, and impose penalties on rule breakers. While NGOs—the most prevalent kind of MFI—and MFI corporations, as well as cooperative societies, are overseen by the MRA, all MFIs are also required to abide by the legal framework under which they are established, which includes cooperative and corporate regulations, (Noor, 2015). Due to their tax-free status and ability to borrow from commercial banks, a large number of Islamic MFIs function as NGO-MFIs. This advantage improves their ability to lend money and maintain a stable financial position, (Suzuki & Miah, 2015). For non-profit option, Islamic social enterprise organizations under the NGOs and non-profit organizations (NPOs) including civil societies (CSs), voluntary organizations (VOs), community-based organizations (CBOs), and other similar organizations and associations that function on non-profit basis for the welfare of their members in general, and the development of society and the country in particular, (Khondaker, 2019). However, most Social Enterprises in Bangladesh (82%) are registered as non-profit organizations. They have to procure a trade license from the authority for doing business. About 7% of social enterprises are registered as partnerships or single proprietorships. Some NGO-run social enterprises have dual legal forms, one registered under a for-profit trade license and another under a non- profit social welfare registration (OXFAM, 2015), Any organization, regardless of their being Islamic or not, can take different structures in Bangladesh. At present, the legal forms of registrations are mentioned below under which social enterprises can choose to register and operate (Shahriar and Habib, 2022) and Laws of particular relevance to ISEs are (table 2):

Table 2: Legal forms available for Islamic social enterprises in Bangladesh

Institution	**Registration Framework**	**Regulatory Authority**	**Examples**
Commercial bank	Banking Companies Act (1991) Companies Act (1994)	Bangladesh Bank	Rural Development Scheme (RDS) of (IBBL)

Non-banking Financial institution	Financial Institutions Act (1993)	Bangladesh Bank	IDLC Finance Ltd.
Cooperative	Cooperative Societies Act (1984)	MRA	Bangladesh Rural Development Board (BRDB)
For-Profit Business (MFIs)	Microcredit Regulatory Authority Act (2006)	MRA	RISDA Bangladesh
Special Microfinance bank	Grameen Bank Ordinance (1983)	MRA	Grameen Bank (GB)
For Non-Profit Business (NGOs)	Registered under one or more: i. The Societies Registration Act (1860) ii. Companies Act (1994) iii. Cooperative Societies Act (1984) iv.Charitable & Religious Trust Act (1920) v. The Trust Act (1882) vi.The Voluntary Social Welfare Agencies (Registration and Control) Ordinance (1961) vii. Youth Organization Act, 2015 viii.Waqf Special Provisions Act 2013 ix.Zakat Fund Ordinance 1982	MRA	Centre for Zakat Management (CZM), BRAC
Foreign donation for NGOs	Foreign Donations Regulation Act, 2016 (Voluntary Activities)	NGO Affairs Bureau (NGOAB)	Muslim Aid Bangladesh, AMAN

Source: Adapted from Uddin, & Mohiuddin, 2020; Mohiuddin, 2017

Issues Of Islamic Social Enterprise in Bangladesh

In Bangladesh, most Islamic non-government organizations (IsNGOs) are not market-oriented and they rely purely on philanthropic contributions. This has proven to be the main issues for activities like Islamic microfinance to scale effectively. To do this, the main departure point would be to distinguish Islamic social enterprise from Islamic philanthropy since they are closely related but distinct concepts. For instance, Islamic social enterprises in Bangladesh use Zakat fund to meet operational cost which may raise the question of validity of such acts from shariah perspective. Additionally,

using Zakat as Qard Hasan loan may raise the same question since Zakat is meant to be freely distributed without any repayment provision, (Mohiuddin, 2017). There are three main areas of policy that help to understand the current context for Islamic social enterprise development in Bangladesh.

NGO and civil society

Bangladesh has a strong culture and tradition of philanthropy and a long-standing, extensive Non-Government Organization (NGO) and civil society sector, at present, there are only 2,529 Civil Society Organizations (CSOs) registered with NGO Affairs Bureau with approximately 50,000 active civil society organizations. The sector is covered by legislation with tight requirements and uneasy relationship with civil society organizations and NGOs, (ICNL, 2015). According to Hackett (2010), over 90% of NGOs in Bangladesh are estimated to include microfinance in their activities and a significant proportion of donor funding has included support to microfinance, (Michelle, 2010). However, NGOs' microcredit schemes are not different from the formal banking system and provide loans at high interest rates, thus losing their philanthropic image. Although microfinance is a distinct concept from social enterprise, the principle that was introduced by microfinance that the poor can be included in market processes and can be supported in ways that are financially sustainable has been an important contributor to the foundations of social enterprise development in Bangladesh, (British Council, 2016).

Microfinance

Bangladesh is the birthplace of the microfinance concept through Professor Muhammad Yunus, has a large number of the presence of MFIs in Bangladesh for over 30 years, detailed regulation was only brought in 2011 when the MFI regulatory body of the Microcredit

Regulatory Authority (MRA) was established by an act of parliament in 2006. However, A key issue for the MRA has been to address high interest rates and service charges which threaten to undermine the original social purpose of microfinance. Recently, some MFIs were observed to charge high-interest rates, which is against the basic principle of microfinance. The founder of modern microfinance and Nobel Laureate, Muhammad Yunus, has strongly condemned these MFIs, describing them as "new loan sharks", (Amy, 2010). According to Mia (2023) observed that owing to the exploitative interest rates charged by MFIs may result in societal inequality. The overall interest rates charged to clients of MFIs in Bangladesh were examined in table 2.2 using the proxy of portfolio yield. It was observed that, on average, the top-10 MFIs' portfolio yield was roughly 26% in 2011, which exceeds the overall banking interest rates in Bangladesh. Moreover, sectoral interest rates are also averagely high (20.33% in 2011). Nonetheless, despite the increased competition, the interest rate spread and portfolio yield have marginally decreased from 2010 to 2011, (Mia, 2023). Mia (2023) observed that, on average, the top-10 MFIs' portfolio yield was roughly 26% in 2011, which exceeds the overall banking interest rates in Bangladesh. Traditional social

enterprises have been failed in reaching the extreme poor mainly due to higher rate of interest and operational cost, lack of customized products, (Nabi et al., 2017).

The success of organizations like the Grameen Bank and BRAC, as well as a general lack of differentiation between conventional and Islamic microfinance, have made it clear that policymakers need to make a concerted effort to address Sharia operational concerns. Paying interest on pooled money is not the exact illegal usury under Sharia law, according to Yunus's argument in his autobiography, especially when borrowers are also joint shareholders of Grameen Bank. He says Islamic scholars agree with this, but he doesn't cite any particular scholars or fatwas to support his claim. Uncertainty and the unequal exchange of funds, at their heart (i.e., the repayment of interest on top of the loan), characterize the general loan transaction at Grameen Bank from a Sharia perspective, which analyzes the contract between the borrower and the MFI. Islamic MFIs must abide by conventional MRA laws, such as interest rate ceilings, reserve fund requirements, and limitations on the use of the entity's operational funds, with regard to Microcredit Regulatory Authority Rules 2010, art. 18(2). Profit and loss sharing plans are not specifically mentioned in terms of data recording software or accounting rules' optionality, and Sharia-based reporting under MRA reporting obligations is not an issue. Any Islamic social enterprise group would have to create a new reporting system if they were to launch profit-and-loss sharing items like musharaka and mudaraba, (Uddin and Mohiuddin, 2020).

Private sector development

Many social enterprises are registered and operate as businesses (typically as MSMEs), state and donor focus on private sector development in general – and MSME development in particular – is important to understanding social enterprise development, (Dalberg and GIIN, 2015). In terms of private sector development, the weak enabling environment for business- poor infrastructure, weak and complicated bureaucratic processes etc. is a recognized constraint. At present, there is still considerable semantic confusion regarding the distinctions between a social enterprise and a small-and-medium enterprise (the latter having received widespread policy attention and support). There are also no clear definitions or a filtering criterion with which to decide if an enterprise is a social enterprise, or "a social business" or simply an SME. However, certain recent initiatives by government and related sectors are likely to play a role in generating interest and promoting the social enterprise sector. The Bangladesh Bank has provided considerable attention to entrepreneurship, start-ups and SMEs, recognizing their significant contribution to the growth and development of a nation. Meanwhile, a leading policy think tank, the Bangladesh Enterprise Institute (BEI) organizes regular consultations, dialogues, seminars and workshops, and also conducts research and surveys to help formulate policy measures to support the social enterprise sector. The BEI also manages a center for Corporate Social Responsibility, also known as the CSR center, in order to develop guidelines and policies to promote CSR in Bangladesh. While CSR is not widely practiced in the private sector Bangladesh, certain multinationals and large local companies are increasingly connecting with development sector partners to design programs that further their branding and sustain communities in which they operate or sell their products and services. Certain sections of the corporate

and private sector routinely donate funds to charitable projects such as building schools, hospitals and so on. Increasingly, the value of generating market-driven and sustainable outputs with funds previously allocated for charitable initiatives is being realized. Wellrecognized corporate and private sector entities undertaking CSR-based initiatives include Walmart, Chevron, Standard Chartered, Dutch- Bangla Bank, the AK Khan Group and Rahimafrooz, (Amit, 2016).

Challenges of Islamic Social Enterprise

A major reason for the lack of top-down priority is Bangladesh's complex socioreligious politics that have remained since independence and is exacerbated by the clampdown on religious extremism in recent years. The current Awami League alliance government has adopted a secular stance, which has made it difficult for the government to satisfy the Muslim-majority population without appearing to endorse religion-based politics, (Islam and Islam, 2018). Due to above reasons of the country of Bangladesh, unfortunately the potential of Islamic social enterprise is considered by weak regulatory and policy environment. The International Finance Corporation (IFC) (2017), MSME Finance gap study observed that 55 percent of all MSMEs reported at least being partially financially constrained, of which 39 percent reported being "fully constrained", (IFC, 2017). According to Bangladesh Bureau of Statistics (BBS), Economic Census-2013, 99 percent of all non-farm enterprises fall into the micro and small enterprises categories, they have faced either partial or complete constraint are nearly the same for SMEs (48%) and microenterprises (56%), (BBS, 2013; Madan, 2020).

Barriers to Growth

Islamic social enterprises face many challenges in Bangladesh, such as lack of awareness, understanding, technical skills, poor skill development and access to finance for developing and sustainability of ISEs. These constraints are main barriers to growth of Islamic social enterprise in Bangladesh. British Council (2016) surveyed on the state of social enterprise in Bangladesh that barriers to shortage of skills is the top constraints with 36%. According to the study, the general public lack understating and awareness regarding social enterprises 30% was seen to be the significant barrier to growth, followed by lack of access to debt finance (35%), lack of cash flow (28%) constraints, difficulties in obtaining grant and funding (26%), and lack of access to support and advisory services (24%), (British Council, 2016). In terms of Islamic social enterprise in Bangladesh, lack of awareness and understanding is seen as a barrier to finance, where investors and funders don't know what is the concept of Islamic social enterprise and how it is working with a wider sustainability in our society.

Access to Finance

The World Bank Enterprise Surveyed with business owners and top managers in 998 firms were interviewed from March, 2022 through September, 2022 that the Bangladeshi private sector considers top three biggest business environment obstacle to their daily operations, followed by electricity (21%), access to finance (17%) and corruption (13%), (World Bank Group, 2022; 2020b). In fact, compared to 2013 that the Bangladeshi private sector has been overtaken by access to finance (13.8) and corruption

(7.9%) as among 15 areas of the biggest business environment obstacle to their daily operations, (World Bank, 2015). Furthermore, The World Bank Group, Doing Business (2019) survey ranks Bangladesh at 159 (of 190 countries) for the 'Getting Credit' indicator, a measure of credit information sharing and legal rights of borrowers and lenders. Similarly, loans are primarily secured through property- based collateral (that face a challenge regarding property rights), whereas movable collateral is not yet accepted for secured lending, (World Bank Group, 2019a). Access to finance in demand-supply side that include lack of awareness of products and schemes, gender-related perception issues, perceived high risk of lending to women, inability to provide collateral and low levels of financial literacy, (Madan, 2020). International investment regulations limit access to foreign capital for companies meaning that foreign investors struggle to find investees. Furthermore, the process for registering as a fund in Bangladesh is difficult because there is no clear legal way to structure and register as a fund, (Dalberg and GIIN, 2015). Finally, a 2016 study by the Institute for Inclusive Finance and Development concluded that, despite the growth of micro-finance, access to credit remains a major constraint for microenterprises. It is exacerbated by the high interest rate elasticity of demand. In this context, a one percent reduction in interest rate increases demand for microenterprise credit by 5.6 percent. Likewise, Badrul and Akhter (2014) found that 50 percent of SMEs did not have any access to bank financing, (Haider and Akhter, 2014).

Global Indexes

Based on the Global Entrepreneurial Index, Bangladesh is ranked amongst the lowest (132 out of 137 countries) on the demand side, in terms of its ability to create and foster entrepreneurs and regionally it is the lowest ranked. On the access to finance or 'risk capital' Bangladesh gets a low score of 7%. The country ranks low on other components of entrepreneurship such as start-up skills, risk acceptance, product innovation, and internationalization. These factors impact the ability to attract capital for an enterprise, (Global Entrepreneurship Index, 2019), while Global Innovation Index-2022 ranks 102 out of 132 countries, (Global Innovation Index, 2022). On the World Bank's Ease of Doing Business Bangladesh's rank is amongst the lowest globally at 168 out of 190 indicating that there needs to be a significant regulatory effort in creating an enabling environment, (World Bank Group, 2020a). Bangladesh has ranked 177nd out of 180 countries in the 2022 Environmental Performance Index (EPI) that evaluates the condition of environmental health and vitality of their ecosystems, (Environmental Performance Index (EPI), 2022) while Social Progress Index-2022 ranked 119 out of 169 countries, (Social Progress Index, 2022).

Legal Framework

Islamic social enterprises in Bangladesh have no specific policy framework, no explicit strategy, policy and single legal status based on various acts and policies implemented by different wings of the Bangladesh government like NGO Law, Trust Act, Voluntary Social Welfare Agencies Ordinance. However, there are a range of for-profit and non-profit options under Islamic social enterprise can register by different wings of the Bangladesh government. This non-profit sector enforces strictly binding regulations,

less flexible, difficult to scale up, and sometimes also impossible to use for pure profit-making financial investment, (British Council, 2016). Meanwhile, international investment regulations limit access to foreign capital for companies meaning that foreign investors struggle to find investees. Furthermore, the process for registering as a fund in Bangladesh is difficult because there is no clear legal way to structure and register as a fund, (Dalberg and GIIN, 2015). The private collection and distribution of zakah may be considered illegal, according to certain observers, considering that Islamic social business is not explicitly addressed in the Zakat Fund Ordinance, 1982, and the Waqf Special Provisions Act, 2013, (Kallol, 2013). Because of a lack of governmental direction, the zakah industry has not been innovative and has not made full use of its potential as a sizable, repeating source of revenue. The present Awqaf regulatory system heavily burdens the headquarters. Without additional personnel and better digital technologies to streamline registrations, administration, and reporting, the Ministry of Religious Affairs may struggle to handle the overwhelming number of awqaf. One such restriction is that waqf can only be defined in the Ordinance as immovable or mobile property that is permanently set aside for religious, benevolent, or pious reasons. Other awqaf forms, including currency and intellectual property, may open up more possibilities for producing funds and using them, such as awqaf-connected microfinance, but they are not considered in this definition. Depending on how the economy changes and how money is spent, it may be necessary to look into different waqf structures, even if there are legal disputes about things like intellectual property. This is because of the legal principles of maslaha (public interest) and darurat (essential need). This is particularly important in highly populated nations like Bangladesh, where land scarcity prevents the creation of further land-denominated Awqaf, (Uddin and Mohiuddin, 2020). The Foreign Donations (voluntary activities) Regulation Act 2016, introduced by the NGO Affairs Bureau (NGOAB) under the prime minister office has tightened controls over funding and enhanced registration processes for INGOs, delaying project approvals, slowing down implementation, and severely restricting international engagement with Bangladeshi LNGOs, (Khan, 2023). Human Rights Watch and Bangladeshi NGOs have long expressed concerns about the foreign donation act 2016 which is a shocking new initiative by a repressive government to make civil society tow the government line, or risk being arbitrarily shut down and would make it an authoritarian regime proud, (HRW, 2014). Consequently, NGOAB has abolished the licenses of 484 NGOs over the years of 2017, which include Muslim NGOs, namely the Women Development Organization (WDO), Shomaz Kallayan Sangstha, Dhaka Ahsania Mohila Misson, Al Amin Etimkhana, Bangladesh Shomaz Unnoyan Samity, and New Life Centre, at the latest reporting (Jugantor, 2017).

Currently, microinsurance and microtakaful are not yet addressed in MRA legislation. A registration certificate from the IDRA is required for any firm to engage in insurance business in Bangladesh, according to the Act (Ministry of Finance, 2018). Since the MRA Act permits MFI-based microinsurance, several NGOs do offer it without IDRA registration (Ahsan et al., 2013; Hasan, 2007). But this microinsurance has not yet made significant impact considering the great demand by the large population due to lack of transparency and prior breaches of public trust. Some of the reasons include (i) an underdeveloped policy and regulatory framework devoted to microinsurance, (ii) limited institutional capacity, and (iii) insufficient knowledge and awareness on insurance

among the poor population, (Uddin and Mohiuddin, 2020). In terms of Takaful, many people don't understand what takaful is and how it works. Another reason is false propaganda that makes people think takaful is fake (Reza and Iqbal, 2007). Finally, experts disagree on how takaful differs from conventional insurance, (Khan, 2015).

Opportunities of Islamic Social Enterprise in Bangladesh

Bangladesh is the fourth largest Muslim high population of 163 million people in the world with around 53 million people still below the poverty line, (World Bank, 2018). Historically, people of Bangladesh, are well known for their cooperation and brotherhood with each other in terms of financial transaction and philanthropic activities. The funding source of Islamic social enterprise which can be for profit and non-profit financial institutions. The following sections review the categories of institutions:

Islamic Finance Sector:

Bangladesh is holding 90% Muslims population where popularity of Islamic banking and finance is growing exponentially. Islamic banking is a matured industry in here with the market share of Islamic banks in the total banking sector stood at 28.21 percent in terms of deposits and 27.78 percent in terms of investments at the end of March, 2022 which plays a crucial role for the economic growth of the country, (Bangladesh Bank, 2022). Islamic finance in Bangladesh has experienced a faster growth than its conventional counterpart, (ADB and IFSB, 2015). Therefore, Bangladesh is considered to be an important jurisdiction for Islamic finance, (IFSB, 2014). There is scope for Islamic finance and investment for SEs, given the requirement not to seek interest payments from loans, which some consider might be used to benefit SE, (Ahmed, 2004). Kammer (2015) believe that the principles of risk-sharing and the strong link of credit to collateral mean that Islamic banking is well-suited to the financing of SMEs and start-ups and, as such, could be well-suited to Islamic social enterprises activity, (Kammer et al., 2015). Given the existing presence of Islamic finance in Bangladesh, there is potential for its inclusion in a wider policy focus on social impact investment for the benefit of ISEs.

Islamic microfinance institutions:

According to an International Trade Centre report (2009), Bangladesh has large Islamic microcredit outreach, with over 100,000 clients and a loan portfolio of almost $35 million, (ITC, 2009). However, there are still unmet demands for microfinance as about 30.0% of the population live below the poverty line. Demand for Islamic microfinance services are on the rise with the participation of the Islamic banks in the financial inclusion campaign. At present, 15 Islamic microfinance institutions hold only 2.96% of total members covered and 4.37% of the amounts financed. This shows room for growth of Islamic microfinance. An average of Tk75.00 million per year was for social safety net spending under the Rural Development Scheme during the last 4 years. Growth in the number of members has been observed at 6.5%, 16.0%, and 21.0%, respectively, in 2010, 2011, and 2012, (ADB and IFSB, 2015). However, interest-based microfinance in Bangladesh is far ahead of Islamic

microfinance. In terms of overall microfinance sector outreach and outstanding loans, it holds a meager 5% market share, (Nabi, 2022; Hossain and Mahadi, 2022).

Zakat Institutions:

Zakah is largely an individual practice in Bangladesh and is paid voluntarily, (Belal et al., 2019; Hossain et al., 2023). In the case of Bangladesh, Belal (2019) also discovered that strong Islamic culture and values are crucial for complying with the social responsibility framework. Business owners in Bangladesh understand and believe that they have social duties in addition to financial ones, (Belal et al., 2019). Furthermore, Hoque's (2022) research shows that 35% of the entrepreneurs in the sample use the business zakah fund to finance their social projects, either whole or partially. Additionally, it is shown that the average yearly business zakah fund amounts to roughly 144 million BDT, which is around $1.7 million USD per business, (Hoque, 2022). An increasing number of institutions are taking the lead in collecting zakah, (Hossain et al., 2020). One of example is Centre for Zakah Management (CZM) which was established in 2008 by the private initiative and currently it is the leading organization in Bangladesh, (Islam & Salma, 2020). To institutionalize zakah, the Government of Bangladesh established a board in 1982 to collect zakah fund under the Islamic Foundation, (Hoque, 2022).To define the responsibilities and powers of the Zakat Board and its affiliates in each jurisdiction with regard to distribution and collection is the principal objective of the Zakah Fund Ordinance. For non-governmental organizations (NGOs) responsible for zakat collection and management, the rule is mostly irrelevant. On the other hand, zakah is something that people do on their own will (Uddin et al., 2020; Hoque et al., 2015). According to a 2014 estimate by Bangladesh's Islamic Research and Teaching Institute, the country's yearly zakah potential is between USD $2.4-5.9 billion, or 1%–2% of GDP (IRTI, 2014). The Daily Star (2014) reports that the formally collected zakah in Bangladesh in 2010 was only $1.4 billion USD. Similarly, according to Hassan (2010), zakah can cover the whole cost of the government's annual development plan. Hassan and Ashraf (2010) calculated that zakah accounted for 43% of Bangladesh's government budget in 2004–05. According to Debnath (2013), who analyzed the data statistically, zakah is a better option than microcredit for helping the poor raise their income, (Debnath et al., 2013).

Waqf Institutions:

Historically, people of Bangladesh are well known for their endowment activities. Similarly, Awqaf has a long history in Bangladesh since the arrival of Islam, (Ahmad & Karim, 2019). Haji Mohammad Mohsin Trust, Hamdard Laboratories (WAQF) Bangladesh, Anjuman Mufidul Islam (AMI), and others fall in this category. Recently banks have come forward to manage endowment funds. Currently, five Islamic and three private commercial banks with Islamic windows have cash waqf deposit schemes. A cash waqf is a way to allow depositors and other contributors to make cash contributions to an endowment which is maintained by the Islamic bank. In 2012, waqf funds of five Islamic banks stood at Tk460 million, (ADB and IFSB, 2015). The waqf

institution can provide different formulas of funding to the social welfare initiators and can create new instruments in collaboration with Islamic social enterprise organization in Bangladesh. For example, Baitul-Mukarram complex combines a mosque and market complex all situated on 8.30-acre Waqf land. The market provides rental revenue to enable administrators to maintain the mosque. A portion of the income from the complex goes to its administrative authority called Islamic Foundation, (Mohiuddin, 2017). However, Awqaf in Bangladesh are of three types, first categories are registered with Office of the Waqf Administrator (OWA), second are the private trusts which are not listed with OWA and the third ones are managed by Mutawallis or committees without registering with OWA. It is only the first category which is regulated by governments Waqf administration system, (Karim, 2010). According to Karim and Murad (2010), there were 123,000 mosque awqaf and 150,000 general waqf assets in that year. The last year a waqf census was conducted in Bangladesh was in 1986, (Karim and Murad, 2010). Out of the total, 62% of the awqaf were officially recorded in writing, while 32% were confirmed verbally. It should be mentioned that around 7,940 (6 percent) waqf estates are customarily registered without formally registering with the waqf authority, (Ahmad and Safiullah, 2012).

Methodology

The methodology employed is a qualitative approach incorporating with primary and secondary data. The primary data conducts an interview with shariah experts, practitioners, researchers, stakeholders and relevant authorities of Islamic social enterprise organizations. The data collection procedure was conducted through direct interaction and virtual communication on the basis of recorded for analytical purposes as Emory and Cooper (1991) suggested to collect interview data using telephone, email or direct interaction with respondents (Emory and Cooper, 1991). We have fulfilled the necessary protocols and interview conditions such as; list of questions, information about interviewees, their positions, date and time of interview. The secondary data were collected from publishing journals, annual reports, websites, Ministry of Bangladesh, World Bank and relevant sources. The literature review method was adopted to explain the issues, challenges and opportunities of Islamic social enterprise for achieving socio-economic justice.

Proposal and Recommendation for The Advancement

Realizing the issues and challenges of Islamic social enterprise in Bangladesh, it needs a well-planned, short-term and long-term realistic policy, recognition, awareness, legislative bodies and academia to create the infrastructural supports to establish for the advancement of Islamic social enterprise in Bangladesh.

Recognition and Definition:

A definition of Islamic social enterprise needs to be developed that is at least reasonably accepted in Bangladesh. This definition would also be important to develop legal forms and regulations for operating ISEs in the future. In this case, Md Fazla Mohiuddin, a lecturer at the BRAC University, who urged for a roundtable discussion by shariah experts, practitioners and relevant authorities along with governments work together to develop a clearer and a more comprehensive government recognized

definition to ensure proper understanding operationalization the notion of Islamic social enterprise. For this, government support, formal acknowledgment, recognition and raising awareness on ISE activities are important to achieve socio-economic justice.

Understanding and Awareness

Government can play a vital role through informational tools to raise understanding of social enterprise, for example through building on existing activities of the SME Foundation, (British Council, 2016). Islamic social enterprise organizations need to emphasize to increase awareness and develop a strategy mainstream Islamic social enterprise to ensure that it is understood beyond the Islamic social enterprise sector. They also can establish a campaign to encourage the public to 'Buy Social and Halal products, creating a logo and conducting policy and private sector outreach activities regarding the shariah compliance of the tools in Bangladesh. This view was recommended by Mohammad Enayet Hossain, A PhD researcher at IIUM Institute of Islamic Banking and Finance, who also highlighted the government's support to engage with Islamic social enterprise organization.

Regulatory Landscape:

Government of Bangladesh needs to develop an integrated, holistic and enabling legal framework to ensure different Islamic social enterprises can function at their best. This means that since Islamic social enterprises are run under the purview of Islamic shariah, a separate legal and regulatory structure with separate tax provision is needed for this sector. Similar regulatory body like Microcredit Regulatory Authority (MRA) would help the sector to be more efficient since shariah provisions for the national development strategy.

a) Additionally, Islamic social enterprises should be allowed to obtain special licences to operate successfully. For instance, they can be allowed to obtain licence for mobile payment gateway linked with government's cash transfer/anti-poverty programmes and welfare distribution to ensure efficient distribution of welfare fund.
b) To increase the size and scale, this article recommends that it leverages the social capital and religious infrastructures (i.e. Mosques) which would result in greater flexibility and efficiency of the sector. The sector also needs to focus on product and service innovation as it will ensure escalation of demand. More importantly, it needs to create an apex body of institutions which would attract investment fund and help in capacity building efforts. This would ensure adequate access to capital for the sector and thus would reduce dependency on institutional-donor and government funding.
c) To increase the access to legal advice and judicial redress, intellectual property protection, bankruptcy laws.
d) To increase the performance of registration process as a for-profit, information, clarity in general about registration options for Islamic social enterprise.
e) Microcredit Regulatory Authority (MRA) should allow the Islamic financial products and services within data recording requirements. For instance, Islamic social enterprise organizations can develop accounting and reporting mechanisms for

Islamic financial transactions. Also, Mohammad Jamal Uddin, a senior officer at RISDA Bangladesh, suggested to record the financial transactions from Islamic financial instruments that the MRA Regulations do not allow Islamic equity-based products such as; mudaraba, musharaka in their accounting and reporting mechanisms.

f) Islamic social enterprise organizations need to recognize for a separate and more robust Microtakaful regulatory framework to encourage stakeholders to buy halal and social products.

Conclusion

Islamic Social Enterprise integrates Islamic social finance and commercial sectors that represents socio-economic justice through redistribution of wealth to reducing social issues and challenges especially poverty, employment generation, economic growth and climate change in the society. It includes two main characteristics: First, the Islamic social finance sector has its own Islamic philanthropic instruments and the contemporary Islamic not-for profit microfinance institutions using for-profit modes to cover costs and sustain their operations. Second, Islamic commercial finance sector that includes Islamic commercial institutions and all the Islamic financial instruments that generate a return in compliance with Shari'ah principles and that target a social impact. Islam formulated the principle of socio- economic justice by redistribution of the wealth and the income among disadvantaged people for the fulfillment of their basic needs.

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FINTECH ADOPTION IN THE ZAKAT MANAGEMENT AMONG AMIL ASSISTANTS

Mohd Fodli Hamzah (a), Cik Ku Haroswati Che Ku Yahaya (b) Alias Mat Nor (c),
(a) School of Economic, Finance and Banking Universiti Utara Malaysia
(b) Kolej Pengajian Pengkomputeran Infomatik & Matematik, UITM
(c) School of Islamic Banking Study University Utara Malaysia Corresponding Author: mohd.fodli@uum.edu.my

ABSTRACTS

Despite frequently reported increases in zakat collection and distribution, certain issues often underlie public perception of the zakat management system. Factors such as insufficient information exposure and less effective services have led to the phenomenon of individuals distributing zakat aid directly to recipients without going through zakat institutions. In this regards state zakat institution needs to pay proper attention to the level of trust and confidence in the community by improving the information system, as well as the collection and distribution systems of zakat effectively and productively. A study on the systematic and accurate information delivery system, along with the improvement of the collection and distribution systems using digitalization to the public, needs to be developed to boost understanding and confidence level among the the public to pay zakat through the proper channel. This conceptual research study is to explore the adoption of fintech application by amil assistants to perform their duty in delivery information, collecting and distributing zakat. The results of the study will lead to the development of an effective information delivery system and digitalized collection and distribution system for zakat, along with clear guidelines and training programs for amil assistant in carrying out their duties.

Keywords: Fintech, digitalisation, zakat management, Revolution industrial 4.0

Introduction

Zakat is one of the Five Pillars of Islam and serves as a manifestation of gratitude among Muslims for the sustenance bestowed by Allah. It is an outward expression of gratitude to Allah for the blessings of sustenance He has granted. Besides purifying wealth, zakat also plays a role in fostering the economic development of the Muslim community by narrowing the gap between the rich and the poor, with the aim of lifting the needy from the cocoon of poverty. The state zakat institution plays a crucial role in ensuring awareness among the Islamic community regarding the obligation to pay zakat when the conditions are met. Despite the increasing number of zakat payers each year, there is a need to continuously enhance the community's awareness regarding the obligation to pay the zakat. This responsibility will undoubtedly be carried out by the appointed amil assistants under the auspices of state zakat institution. Despite the

frequent reporting of increased zakat collection and distribution, specific issues often underlie public perceptions of the zakat management system. Factors such as insufficient information exposure and ineffective services have led to the phenomenon of individuals distributing zakat directly to recipients without going through zakat institutions. In this regard The state zakat institution needs to pay appropriate attention to the level of public trust and confidence by improving the information system, as well as the collection and distribution of zakat effectively and efficiently. Therefore, the state zakat institution needs to take proactive steps to enhance the delivery system and effectiveness of zakat services in line with the development and sophistication of current digitalization systems, especially among the appointed amil assistants. The advent of the digital era has opened fresh possibilities for zakat collection. As society's lifestyle becomes more reliant on technology, there is a need to develop a financial technology application for amil assistants in performing their duties. In additions clear guidelines and training programs for zakat collectors will also be established to carry out their duties in delivering information and collecting and distributing zakat on behalf of state zakat institution

Problem Statement

Most of the state zakat institution in Malaysia had already developed a centralized digital platform through web site to facilitate the online zakat payment process. However research on the websites of zakat institutions in each state formulates the use and exploration of digital technology that is still less effective in zakat management systems. Undoubtedly the system application reflects a commitment to leveraging digital technology for the advancement of zakat-related processes, making it more accessible and user-friendly. The platform aligns with the contemporary trend of integrating technology to enhance the efficiency and transparency of traditional practices, contributing to a more streamlined and organized zakat system. However, the use of digital technology among the amil assistants has not yet been developed in the zakat management system in Malaysia. The function of amil assistance is still important to provide personal approach and educate the muslin community regarding the obligation of paying zakat. Therefore, three main factors require attention to ensure an excellent and effective zakat institution: having a zakat collection system via proper payment platform, effective distribution system, and public participation via interactive information display and interactive media. These three factors have not been widely implemented among the amil assistants in the zakat institution as the amil still relies on a traditional management system to collect and distribute zakat. Therefore, in line with the rapid development of the digital era, a system for amil assistants to collect and distribute zakat needs to be developed. Additionally, a well-organized and systematic guideline framework which is currently not in place should be developed as clear guidance for amil assistants in carrying out zakat collection activities. This not only demonstrates the commitment and seriousness of the zakat management in implementing the zakat collection process but also raises awareness among the public about the importance of zakat payments. Hence, this conceptual study is conducted to design and develop a more efficient and systematic zakat collection and distribution system by leveraging digital technology among amil assistants in performing their duty.

Research Questions

a) Does amil assistants willing to adapt to digitalization in performing their tasks?

b) Does amil assistants adequately trained to carry out their tasks?

c) Does amil assistants provided with clear guidelines in carrying out their tasks?

Research Objectives

a) Design and develop efficient zakat collection system for amil assistants by leveraging leverage digital technology
b) Develop a clear and systematic guideline framework to guide amil assistants in utilizing digital systems effectively.
c) Implement a training program to ensure amil assistants are well-versed in utilizing digital tools for zakat collection.

Literature Review

The trust of zakat payers in the zakat institution also plays a crucial role in ensuring an increase in zakat collection every year. A study conducted by Hairunnizam, Sanep, and Radiah (2009) indicated that most respondents who did not pay zakat might be dissatisfied with the distribution of zakat by the zakat institution. There is evidence that satisfaction with the management of the zakat center is positively related to the payment of zakat to formal institutions. This implies that the more satisfied the community is with the management of the zakat center, the higher their compliance in paying zakat to the zakat institution (Sanep & Hairunnizam, 2005).

Hairunnizam & Sanep (2014) state that zakat payments through formal institutions have been widely implemented by the public. However, a small segment of the population still chooses to pay zakat directly to beneficiaries due to dissatisfaction and distrust in the service system provided by zakat institutions. Leakage issues in zakat payments can occur either by not paying zakat to the appointed institution or by directly paying zakat to beneficiaries (Mohd Firdaus, 2017).

Previous studies have emphasized that broad and rapid goal achievement can make zakat institutions more responsive, effective, and productive in addressing public issues. According to a study by Khairul Azhar (2021), rapid and accurate information dissemination is crucial in facilitating the payment and distribution of zakat assistance to those in need. Therefore, incorporating digitalization segments into zakat collection and distribution management is essential. This digitalization segment will make the public more comfortable communicating with zakat management through various new communication alternatives, in addition to existing traditional platforms.

Studies by Hairunnizam, Ahmad & Rashid (2017) and Khairul & Amirah (2019) show a positive relationship between zakat payers' perceptions of zakat institution management and the rate of zakat payments issued to formal institutions. In other words, the better an individual's perception of the quality of zakat institution services, the higher their confidence in paying zakat to the institution, and vice versa. Additionally, continuous promotion and exposure related to zakat are seen to help zakat institutions increase zakat collection.

According to Rahisam Ramli (2021), issues discussed on social media often revolve around various public dissatisfaction with zakat institutions. Public dissatisfaction includes satisfaction levels with distribution, service quality, management attitudes, and trust in zakat institutions. Trust issues in zakat collection and distribution need attention from zakat institutions. Trust is a crucial issue for enhancing the effectiveness of zakat institutions in improving and assisting the economic status of the Islamic community in Malaysia.

Mohamad Zaki et al., (2020) in his study revealed that the rapid improvement in the financial technology such as e-payment and e-pay application, online banking transaction relatively influence the method of transaction to be done. With a solid understanding of this financial technology, amil assistants can ensure that the zakat institution can leverage these advancements to enhance the effectiveness of management and improve the well-being of the communities to pay and receive zakat contribution. The limitless use of the internet also brings negative impacts, such as the spread of false news, which can tarnish the reputation of zakat institutions. Therefore, amil assistant needs to be aware of this contagious phenomenon and take proactive steps to provide clear explanations to the community.

Fadhilah, (2021) highlights the important of digital transformation of zakat collection include the observation of mobile-based sharia fintech and the usage of interactive media to collect zakat from information technology literate circles. The study emphasizes the need for developing the technology application to collect and distribute the zakat.

Hyphothesis

H1 : There is a positive relationship between the usage of fintech technology and the confidence level of the society to pay zakat through proper channel.
H2 : Knowledge of fintech among the amil assistant has strong relationship towards the confidence level of the society to pay zakat through proper channel.
H3 : Effective and efficient information relatively influence the awareness of the community to pay zakat through proper channel.

Research Methodology

This conceptual research framework is built around existing literature and appropriate research studies that can explain the phenomenon. Conceptual research is defined as a methodology in which research is conducted through observation and analysis of

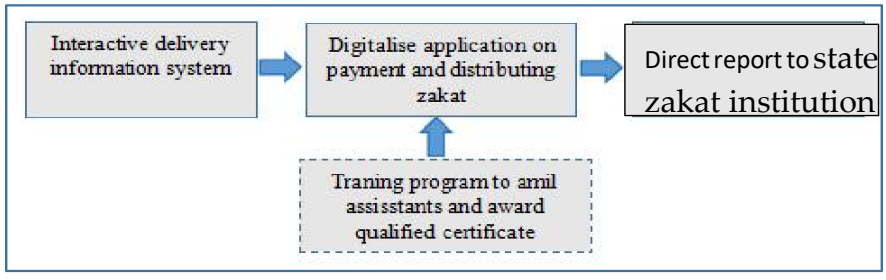
information from the previous research study. Conceptual research does not involve practical experiments. The results from this conceptual will lead to the both quantitative and qualitative empirical research study to develop and design application system for amil asistants in delivery the zakat information as well as collecting and distributing zakat among the muslim community. Additionally, a a clear guideline to be developed to ensure amil assistants understand their tasks and responsibility in performing their job.

Discussion

Zakat is the third pillar of Islam after the confession of faith and prayer. It considers as the important obligation from the Muslim around the world in order to empathize with others and to develop the economy of ummah. In the implementation, state zakat institution will appoint amil assistant to perform the duty to collect and identify the potential zakat needy or asnaf. Amil assistants must be appointed and authorized by the state zakat institution to perform the collection and identify and recommend the right zakat needy or asnaf. In general, the main responsibility of amil assistants not only to perform zakat collection and distribution effectively, but also has a primary task which all are related to the management of zakat funds, ranging from counting the number of properties and the amount of zakat, picking it up, carrying out to review the poverty minimum levels, and ensuring the real asnaf to receive zakat fund. In addition, the amil assistant must be equipped with sufficient knowledge in all categories of zakat to educate and spread the awareness among the muslim community to pay zakat as well as clear understanding of their roles and responsibilities.

It is undeniable that effective zakat institution management, especially among the amil assistants, significantly contributes to improving the efficiency of zakat collection and distribution, which is the primary mission in enhancing the socio-economic status of the local community. To pioneer efficient and high-quality governance, the integration of digitization segments into the zakat collection management system is seen as capable of making state zakat institution to be more organized and practical zakat institution, aligned with the corporate organizational concept. In the new era of digitization, amil assistant need to exposed with the new way of performing the task by utilizing the advancement of technology instead of using the traditional way to collect and distribute zakat as well as to disseminate the information about zakat. Diagram 1 is a propose amil assistants application system framework:

Diagram 1: Conceptual framework



Effective and continuous promotion carried out systematically is seen to assist zakat institutions in increasing zakat collections. The higher the exposure to zakat information received by individuals, the more likely they are to comply with zakat payments. Approaches such as delivering messages related to zakat through sermons, lectures, forums, distribution of literature, seminars, hanging banners, and the like should be continued. However, amil assistants should also leverage digital promotion through platforms such as WhatsApp, Telegram, TikTok, Facebook, Twitter, and other social media. A specific template containing comprehensive information about each zakat category should be developed for the convenience of amil assistants in conducting promotional activities on social media. The provided information should be creative, interactive, and informative, with direct links to the amil assistant's digital application through QR code scans or WhatsApp links.

The development of a digital zakat application should be undertaken to facilitate amil assistants in collecting and distributing zakat aid. Despite efforts to integrate technology platforms into existing systems in Zakat Institutions in each state in Malaysia, public response to this system is still not comprehensive. Issues persist in zakat institution management in each state, such as outdated collection and distribution statistics, incomplete activity reports, unappealing websites, non-interactive social media, and limited awareness of blockchain technology.

Current reality shows that most zakat institutions still focus on traditional collection and distribution services through appointed of amil assistants. This results in limited and restricted information delivery, with the public lacking clear information about zakat payment requirements and overlapping zakat distributions. In conclusion, zakat institutions, as vital organizations managing zakat collection and distribution funds in Malaysia, should pioneer the exploration and adaptation of digital technology, especially among the amil assistants Through these technological applications, amil assistants can input the required information for each zakat category to be paid, and payers can make online payments or transfers directly. All this information will be stored in the Zakat Institution's database for record-keeping and further action.

For distributing zakat funds to eligible recipients, amil assistants will input the relevant recipient information into the application, and this information will be direct link into Zakat Institution's database. This can expedite the distribution process while avoiding issues of overlapping zakat distribution. To ensure the full utilization of this application system, appointed amil assistants will undergo comprehensive training modules covering their understanding of each zakat category, not only zakat fitrah and zakat income but also zakat on wealth. Additionally, the modules will emphasize interactive and innovative promotion concepts through social media channels. Furthermore, zakat assistants will be trained on the use of digital applications in zakat collection and distribution transactions. Qualified zakat assistants will be awarded certificates to ensure they fully understand their roles and responsibilities.

Conclusion

FinTech is an abbreviation referring to the use of technology in the financial system (Financial Technology). This platform is rapidly expanding and is considered a determining factor influencing the effectiveness and success of the Fourth Industrial Revolution. Therefore, the widespread implementation of fintech in zakat management, especially among amil assistants, is essential. This is to ensure that the public receives accurate and timely information, along with convenience in zakat payment and distribution transactions. The existence of social media platforms such as Twitter, Instagram, YouTube, and TikTok is seen to have triggered a new paradigm that influences the digital communication patterns of society. By adapting to these social media platforms, zakat institutions can become more responsive, effective, and productive in addressing public issues. Amil assistants should leverage the presence of social media to channel information quickly and accurately in zakat payment and assistance distribution transactions to those in need. The public is also more comfortable interacting with zakat institutions through various new communication alternatives. Consequently, zakat institution are no longer seen as separate from the public but rather begin to play a role as welfare organizations at the forefront of addressing the issues and social problems of the public. Digital platforms are potential alternatives that can simultaneously create and enhance trust and confidence in the competence, credibility, and transparency of zakat institutions. Hence, appropriate initiatives need to be carried out to improve the overall quality of zakat services and management, including among amil assistants, in line with current technological developments. The role of amil assistants in collecting and distributing zakat assistance to eligible recipients needs to be shifted from using traditional platforms to digital ones. This undoubtedly represents a new paradigm shift that lembaga zakat needs to be pioneered and explored as optimally as possible.

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Role of Ottoman Waqf in Providing Medical and Health Services in Anatolia

Pharmacist - RASHAD MUHAMMET Master's degree - Graduate
Education Institute Islamic Economics and Law
Republic of Turkey Istanbul Sabahattin Zaim University
Tukey -Istanbul

Email: rashadsalim20@gmail.com
Mobile:+0905360538204

Abstract

The research aims to study Ottoman Waqf's role in supporting Medical & Health services in Anatolia. To achieve the research goal, an inductive, historical & descriptive-analytical approach were using . The research showed that there were multiple positive effects in providing free health care and distinguished medical services to diverse groups of society. contributed to spreading community health awareness, providing opportunities to study medical sciences, and had an impact in creating rules for practicing professions and functional systems. Therefore, restoring such Awqaf will be influential in Islamic societies, as it will provide long- term financing to this vital sector, contributing to progress.

Keywords: Ottoman Empire, Anatolia, Health Awqaf

Introduction

Awqaf is an Arabic word derived from the Arabic root verb Waqafa which means causing a thing to stop and stand still. It describes the privately owned property e.g., a plot of land, a planted orchard, or a water well, endowed for charitable exploitation, or humanitarian purpose in perpetuity. The generated revenues had spent for that purpose. It stands out as one of the major achievements of Islamic civilization through thousands of years in various places [1] Islamic world considering one of the richest human societies in terms of its charitable Awqaf institutions that support various sectors and segments of society. It starts with early Islamic history in the era of the Prophet Muhammad PBUH, which kept on expanding during the following time .Later on, became a voluntary practice that fulfilled the meaning of altruism and sacrifice to seek God's pleasure and mercy. It ensured the spread of the foundations and rules of the Islamic religion and contributed to providing a community-based system of solidarity that protected the poor and weak members of society in all circumstances and created distinguished educational system, helping to spread knowledge and science [2] The health and medical aspect enjoyed a large share of these Awqaf, and the interconnected influence can be seen between the development and progress of medicine in Muslim countries, the spread of its service and educational institutions, and the development and expansion of charity Awqaf in them[3]. The Ottoman Empire was the last state in the modern era that established the principles of Islam and committed to implementing its instructions in public life and personal behavior. Its Awqaf system is distinctive, especially in Anatolia, which included the administrative capitals of the Ottoman Empire for more than six hundred years. Therefore, it will be appropriate to study these Awqaf, clarify their effects on the health, and medical field, and move towards forming a modern model that can replicated and benefited from its contribution.

Research problem

Due to the big Geopolitics changes that accomplished the weakness & decay of the Ottoman empire, many Awqaf institutions were destruct and lost, leading to the cessation of services to the community including medical supplies to groups of society that should helped and aided. The reluctance to provide medical Awqaf on the part of donors became clear, and ignorance of their impact became widespread. The research aims to shed light on these Awqaf, clarifying its role in the medical sector &health service. The subject may encourage a new generation to turn back to the authentic role of Islam in society, helping in providing financing from non-tradition sources to this vital sector.

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Research Goal

The research aims to shed light on the role of Health & Medical Awqaf in Anatolia, which had established during the rule of the Ottoman Empire.

Methodology

1. To achieve the research goal these approaches were used :
2. Inductive approach: to collect information from sources and references.
3. Historical approach: to arrange information according to its chronological dates.
4. Descriptive-analytical approach: to study and analyze the impacts on health and the medical sector.

Research Importance

Taking care of human health is one of the obligations enjoined by the Creator of this universe to protect humans from epidemics and diseases to ensure healthy living. There are many Qur'anic texts in which illness and healing are mentioned,[4] Prophet Muhammed's hadiths Pbuh [5], the noble Prophet's biography, and the actions of the honorable companions in urging the diagnosis of diseases and finding appropriate treatment for them and emphasizing adherence to the principles of cleanliness and staying away from the causes of diseases because preserving and caring for oneself is one of the five Islamic necessities of life that must be provided and protected[6] . International legislation and laws have recognized the responsibility of countries to provide primary health care to their citizens[7]. Today, financing health care and the health sector has become one of the biggest obstacles facing governments and countries due to the multiple aspects of spending and the lack of resources.[8] Therefore, access to useful information for non-traditional financing will contribute significantly to providing new financial sources to the sector.

Research axes

1- Anatolia, location, civilization, Islamic entrance.
2- Turk, origin migration, and the Ottoman Empire.
3- Ottoman Awqaf.
4- Medical &health Awqaf in Anatolia during the Ottoman Empire
5- Effects on health &medical sector
6- Results & recommendations.

Anatolia

The geographical location of Anatolia is the most important gateway connecting the world's ancient continents: Asia, Europe, and Africa. It became the bridge for the tribes as a migration route to cross between the three mentioned continents. Acting as a bridge, Anatolia has become not only a road through which tribes migrated but also a geography where people settled and created civilizations. For these reasons, Anatolia has exhibited suitable characteristics for the encounter and interaction of different races and cultures and the emergence of new cultures. It has been a key factor in the interaction of civilizations formed on geographical differences, especially the landforms of Anatolia, both with each other and with neighboring civilization elements [9]Most populations were Christian due to closeness and submission to the Roman state. Islamic researchers believe that the beginning of Islam's entrance to Anatolia began at 635 H, 1237-1238 Ac after the Yarmouk battle when the Byzantium army had defeated. Islamic forces started chasing the remnants of the Byzantium army at villages & towns of the upper Euphrates which gave the residents of the region a chance to learn about Islam for the first time and made them turn to Muslims and new generations of Anatolia Muslims started to appear.[10]

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[4]) سورة الشعراء، اية 80، سورة النحل اية 69، سورة يونس اية 57

[5] (صحيح مسلم والترمذي باب التداوي، ابن حبان كتاب الطب، أبو داود، الديات

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Turks & Ottoman

Most historical studies about Turks agree that their original homeland was Transoxiana in Asia. It includes East and West Turkestan, which are the original homeland of the Turks. Their tribes know the Oghuz. Had migrated to Asia Minor, Due to drought, lack of pastures, and the Mongol attacks. They reached the borders of the modern Islamic state during the reign of Calipha - Omar bin Al- Khattab –. Peace concluded between the commander of the Muslim armies and the king of the Turks. They coexisted with the Muslims. Large numbers of them converted to Islam & became its defenders. Participate In jihad to spread Islam. During the era of the Umayyad state, the conquest of Transoxiana was completed, and many Turks assumed various positions in command of the armies and administration of the state.[11] Their numbers increased during the Abbasid era, and they rose to advanced positions, especially during the time of the Calipha Al- Mu'tasim Billah, who relied on them to form a new Islamic army because the Turkish element characterized with strength, courage, and chivalry, tough in wars, and enjoyed patience, obedience, and loyalty[12]. Within few years, one of the Muslim Turkish tribes in Central Asia, known by the name of their grandfather (Seljuk), began to raid the pagan Turkish tribes around him, and so did his children after him until their state was strengthened, and spread throughout the kingdoms, and reached Khorasan. Their Sultan Tughrul Bey received the recognition of the Abbasid Calipha in Baghdad after pledging loyalty to the Abbasid state, with promise protecting it, and committing to jihad for the sake of Islam. This recognition had a significant impact on the completion of the legitimate entity of the Seljuk state. The Seljuk armies moved east and west to conquer what remained and a powerful Islamic emirate formed. As a result of the competition between princes and ministers, the Seljuk state weakened due to the continuous struggles over power, it was transformed from a strong, cohesive state into scattered states and kingdoms throughout the Islamic world.[13] Most sources about the Ottoman Empire confirm they originally belonged to the Qai clan, which is one of the branches of the Turkish Oghuz tribes that migrated from southwest Turkestan to eastern Anatolia .Because the Mongols attacked the entire region in the early thirteenth century AD. Their grandfather, Ertugrul, led about a hundred families from his clan fleeing the Mongols and supported the Seljuks in one of their battles against the Byzantines. Had rewarded by the commander of the Seljuk army with land on the western border with the Romans, he protected it and expanded into the Roman lands, and this relationship continued throughout his life. Ertugrul and his son after him, Othman, who was the founder of the Ottoman Empire. People remembered his distinguished qualities: courage, wisdom, sincerity, patience, deep faith, justice, and loyalty. Othman followed in his father's footsteps in loyalty to the Seljuks and launched raids on the Romans and presented gifts to the Seljuk governor, but this matter did not last long when the governor's machinations began against him and plans to kill him and get rid of his increasing influence. Othman became aware of this, and he became known as the Gazi Othman, a title that was given to the Mujahideen, who achieved great victories, so he captured the Seljuk governor and moved towards the lands, and castles surrounding him, overthrew them one after other, strengthened the pillars of his new state by eliminating his enemies around him. It is believed that the announcement of the formation of the state was in 1288 AD - 1289 AD when the name of the Seljuk Sultan was not mentioned in a Friday prayer (weekly gathering of Muslims) and the name of Gazi Othman was mentioned and prayers were prayed for him for victory and success, which was evidence at that time of the state's independence and its non-subordination to anyone. The features of the young state began to take shape, its territory expanded, and its subjects multiplied, and it extended east and south until it reached control and ruled lands and countries distributed on three continents of the world. The world witnessed the greatest Islamic civilization based on justice, mercy, and tolerance that lasted for six centuries[14]The twelfth century had barely ended when the Turks in Anatolia had become a diverse majority. Among them were pastoralists, Bedouins, villagers, and city dwellers. Merchants, craftsmen, peasants, sheiks, and scholars who studied in the schools of Iran and Baghdad and were students of their scholars Among them were rich and well-off, others those who came looking for a living. Among them were Sunni Muslims who followed the Hanafi school of thought, others were Shiites who came from Iran, also Christians sent by Europe to protect its borders. There were dervishes who adhered to true Sufism, others were mixed heretics.[15]

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Ottoman Waqf

Islamic Waqf touched every socio-economic sector within urban centers as well as rural areas .Both the waqf properties and the beneficiaries who specifically defined within the waqf foundation charter according to formulaic criteria. The appointed revenues for the beneficiaries who accorded on a continuing basis by the waqf administrator, appointed or designated by the endowment founder. He distributes a fixed amount of the waqf's property's revenues to the beneficiaries on a regular basis ,usually on an annual basis. When the endower chooses beneficiaries associated with religious ,societal, or charitable objectives such as a mosque, religious school, health clinic, a public thoroughfare (bridge, steps), a drinking fountain, irrigation works, the care of orphans or widows, etc., this type of foundation is referred to as Khairi waqf (religious, charitable, or public waqf) Some Endowments were created with the purpose of supporting specified individuals, usually members of the founder's family but also other persons, including the endower's manumitted slaves or those of his family, gives rise to a Dhurri waqf, Ahli (private or family waqf). In a third variation, when beneficiaries of an endowment are. simultaneously combination of both types of recipients, within both public and private domains results in a Mushtarak waqf (shared or mixed waqf) therefore, the type of beneficiary which defines the nature of the foundation.[16] After the Turkish tribes converted to Islam and headed towards forming a state that included different ethnicities under the slogan of Islam and their success in annexing many lands and towns to this emerging state, The efforts of the sultans, their ministers, and senior statesmen were directed towards establishing and reconstructing houses, buildings, and markets. The predominance of spiritual orientations and the desire to please the Creator had a profound impact on their orientation towards providing charitable and righteous deeds to society and not monopolizing the benefits and advantages. Waqf institutions were among the most essential elements throughout Islamic history in general and the Ottoman Turkish civilization in particular, which lasted for six centuries the end of the 11th century & Turkic conquest of Anatolia there were health institutions built during the Seljukian time. Still, no confident information exists but from information in the Ottoman documents. Researchers assume they are returning to Seljukian time. In Anatolia, there were four majors' health institutes, Şeyh Eminüddin Bîmârhânesi in Mardin, Gevher Nesibe Mâristan in Kayseri, Keykavus Darü'ş- şifâsı in Sivas, and Turan Melek Darü'ş-şifâsı in Divriği. There were smaller institutions in other parts of Anatolia. All were supplying free charitable services through the Awqaf system.[17] During the rise & development of the Ottoman Empire, they benefited from these institution models, systems, and roles, in continuous repetition & developing their own institution.

Ottoman Waqif Health Institutions

One of the most important sources of information about waqif hospitals is the documents of endowment arguments, which are like instructions for hospitals, as they include all the required information about the donor, the types of endowment property, the number of employees, their specializations, the wages paid to them, what service is provided, how to provide them, and the sources of funding for the institution. After obtaining the approval of a judge in the Sharia court, the document becomes official and enters into force .Hospitals in the Ottoman era was known as (Dar Al-Shifa or Dar Al-Tibb) established by the sultans, their wives, or their mothers. Health services provided in addition to medical education in these institutions.[18]

Hospitals (Dar Al- Shafasi)

Dar Al-Shifa Bayezid - (Bursa):

Had established during the reign of Sultan Yildirim Bayezid (Bayezid the Thunderbolt) in Bursa in the year 1400. The hospital endowment document shows that Sultan Bayezid brought a skilled doctor in medicine from Egypt named Shams al-Din al-Saghir to work in the hospital[19]. Bursa was the first capital of the Ottoman Empire. This hospital considered evidence of the great interest that the Ottomans paid to the health of society, as it was one of the first facilities in the new capital. The work crew in the endowment had limited to nine people at the beginning, who was a chief physician, in addition to two doctors, two pharmacists, a service employee, a baker, Sheaf, and a janitor. Their numbers then increased to thirty-two people. Salaries given to each of them listed. The endowment document included the amounts allocated for food and drink for patients, which confirms that the hospital was responsible for housing patients and providing food and drink, in addition to medicine and treatment. [20]

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Dar Al-Shifa (Al-Fatih) – Istanbul:

It was the first hospital built in Istanbul after the opening by Sultan Mohmed the Conqueror due to the severe need for it and the lack of hospitals. Construction began in the year 1463 AC and was supervised by the architect Sinan. He finished it in the year 1470 AC and began providing services to the people. There are documents describing the construction and its details[21]. From the texts of the Sultan's waqf, all patients in need of treatment and care can benefit, regardless of religion or race. The employment of a chief physician, an ophthalmologist, a surgeon, a pharmacist, a drug store clerk, and the rest of the auxiliary employees clearly mention with details of specifications and qualifications The foodstuffs provided to patients to strengthen the patients' bodies and speed up their recovery. The services provided, such as cleaning patients, beds, and clothes, mentioned.[22]

Dar Al-Shifa (Bayezid II) – Edirne:

Established by Sultan Bayezid II in Edirne. The second capital of the Ottoman Empire was within a complex consisting of a mosque, guest houses, a school, a hospital, a charity kitchen, and a storeroom. It is located on the bank of the Tunca River, and a bridge over the river to connect the city with the complex that was located on the other end of the river helped. Construction began in 1484AC and completed in 1488. The hospital provided distinguished services to the people of the region and its environs, and even patients from the Balkan countries came to receive treatment there. There are documents showing that surgeries performed, and eye diseases treated. It is characterized by treating mental illnesses using music, aromatic oils, and the sounds of water in fountains. The hospital design is distinct and advanced[23]The hospital continued to provide its services to multiple types of patients, but in the late nineteenth century, it used to isolate psychiatric and mental patients. Its endowment funds maintained its ongoing restoration and repair, and it remains in existence to this day. It converted into a museum affiliated with the University of Thrace in Edirne, where statues added to it embodying the followed medical practices, in addition to models of the medical tools used at that time[24]

Dar Al-Shifa (Hafsa Sultan) – Manisa:

It was important to establish endowment service institutions to help the newcomers settle. Manisa was one of these cities. Sultana Aisha Hafsa, the wife of Sultan Yavuz Selim, began building a complex in this city around the year 1522, consisting of a school for children, a dervish hospice, a mosque, and a charitable kitchen for free meals for the poor. Named the Sultana Hafsa Complex, care taken to choose the appropriate place for it[25] Sultan Suleiman the Magnificent established the hospital in 1539 in the same place and in the middle of the charitable complex, one year after her death. She was the first wife of an Ottoman Sultan to obtain the title of Sultana and then the title of Mother Sultana. After adding Dar Al-Shifa and a bath to the endowment, the hospital became called (Dar Shifa Hafsa Sultan). The hospital continued to provide medical services until the middle of the nineteenth century. Documents show that in the years 1865-1866 it assigned to become a specialist in patients with mental and psychological diseases. During the Greek invasion, it burned, then restored to become a coal storehouse.

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[18]) Yılmaz ,Coşkun, and Necdet Yılmaz. "Osmanlılarda sağlık: Health in the Ottomans (2006) :41-64 Fen-Edebiyat 442 (،2007 مكتبة الآداب، مصر: 1ط)السيد محمود ,سيد محمد ، تاريخ الدولة العثمانية النشأة– االزدهار ، [19])

[20]) Sezer ,Erer, "Osmanlılar döneminde Bursa'da yaptırılan hastaneler. "Uludağ Üniversitesi , Fakültesi. Sosyal Bilimler Dergisi 11, no. 19 (2010): 241-252.

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In the endowment document number of homes, shops, and productive agricultural lands, in addition to entire villages, whose revenues were allocated for the purpose of spending on the hospital and the requirements for its continued operation, according to the conditions set by the endowments. As the number of workers in the hospital was increasing, due to the increase in patients, it was no longer easy to meet all these requirements, and new conditions for how to deal with patients and dispense treatment to them added later. In the endowment documents, the numbers of doctors, workers, medical specialties, diseases treated, medicines that used, and receipts for purchasing raw materials for the manufacture of medicines, including herbs and others mentioned[26].

Dar Al-Shifa (Hurrem -Haseki) - Al-Haseki - Istanbul:

Sultan Suleiman the Magnificent (1520-1568)AC ordered Mimar Sinan to build a complex that included a mosque, a school, a charity kitchen, and a hospital located outside the complex in honor of his wife and the mother of his son Selim II. The hospital was complete in 1550, and there is a complete description of the number of its rooms, the specifications of the doctors, workers, and their qualifications. It consists of two doctors, a surgeon, an ophthalmologist, a pharmacist, four nurses, and two assistants, the number of administrators and the rest of the workers mentioned as twenty-eight people.[27] This institution considered one of the longest-lived medical institutions in the Ottoman Empire. The hospital achieved a dual goal of medical care and social relief. It contained the required medical equipment, initially intended for all patients, and was later allocated to treat women only. In 1884, it designated to treat male mental patients, and it continued to do so until 1916[28].

Dar Al-Shifa (Sulaymaniyah) – Istanbul:

Sultan Suleiman the Magnificent ordered its construction in 1550, and it completed and provided its services to the people in 1557. It is located at the end of the northern-western corner of the Sulaymaniyah Complex in Istanbul. It is unique in its multi-functional design. It is part of a huge complex that includes a mosque that is wonderful in its design and construction, a complex of schools for all levels, a college for teaching medicine, a bakery, and a bathhouse. It included patient rooms, treatment lounges, a pharmacy room for preparing medicines, and a storeroom .It distinguished from previous hospitals such as Al-Fateh and Al-Haseki by being larger in size, more organized, and in the quality of services provided there[29] The Sultan's interest in it was great. He set in the conditions of its endowment the qualifications of the doctors who are allowed to work. It required that they be among those who had received sufficient education and had experience in their field of specialization. The endowment stipulated the appointment of a surgeon, a skilled ophthalmologist, and a pharmacist skilled in preparing and mixing prescriptions. It also stipulated, Recruiting assistants and service staff according to the required specializations. Salaries and the type of food distributed to patients were set, and cash disbursed to patients who had no breadwinner . A special ward was allocated for women and a ward for people with mental illnesses. In 1847, male patients transferred to the Gureba Hospital, except for psychiatric patients. After the outbreak of the cholera epidemic in 1870, it used to isolate patients with cholera, and the rest of the patients transferred to Toptaşı Hospital. After 1894, all mental and psychological patients from all governorates transferred to it. It later transformed into a military building between 1897 and 1972[30]

Dar -Al-Shifa (Atiq's Valide) - Istanbul:

Sultana Nurbanu, the eldest wife of Sultan Selim II, ordered the establishment of an endowment complex consisting of a mosque, a group of schools, a hospital, a guest house, baths, and a charitable kitchen in the Toptaşı area of Uskudar, which was a rural area close to the Fatih region, and she granted it numerous and varied endowments to cover the costs. The hospital consists of two floors connected by a wooden roof, and there are doors that open outwards and corridors. The design and location of the bathroom show that it was created to serve hospital patients.

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[26]) ALKAN ,Mustafa ." Manisa 'da Hafsa Sultan Darüşşifası Bimarhanesi International , Periodical for the languages
Literature and History of Turkish، Ankara – Turkey V.9/10 fall 2014: 19-31

[27]) Koldas ,Macit. "The symbol of women's compassion: Haseki Darussifa/Kadin sefkatinin sembolu: Haseki Darussifasi The Medical Bulletin of Haseki (2011): 1-5.

[28]) Balsoy, Gülhan. "Haseki Women's Hospital and the female destitute of nineteenth century Istanbul." Middle Eastern Studies 55, no. 3 (2019): 289-300.

[29]) Gozeller, ALI. "Süleymaniye Semt Tarih , https://www.academia.edu.

The dining kitchen arranged with external corridors so that no traffic would occur from inside the hospital[31] The hospital was known as (Walda Atiq Dar Al-Shafasi), which means the house of healing of the great mother, and it used to treat all types of diseases. However, it was designated in 1858 to treat mental illnesses, and continued until 1927.The reason behind choosing Sultana Nurbanu the area for the construction of the complex can be considered the desire to create new neighborhoods in Istanbul and create the main needs of the population, which will encourage the move of many families to live. The hospital has gained significant importance as it is the only place that provides medical services in the region. It is the fourth hospital in Istanbul. The Dar Al-Shifa waqf document stipulated precise specifications for workers and set conditions for their selection:

Doctors must had experienced in medicine and anatomy, have a good reputation and morals, have practiced their work efficiently and have experience in dealing with difficult cases, and be able to mix medications and determine the appropriate dose for the patient. 2- Ophthalmologists must be well-known in the field. Their work has a wide reputation, and they are proficient in treating eye diseases. 3- Surgeons must be experts in the use of medications, be aware of their effects, and deal gently and respectfully with patients. 4- Pharmacists must be proficient in knowing the properties of the raw materials from which medicines made, be skilled in Preparing pharmaceutical prescriptions of all kinds 5- Herbalists or perfumers who are employed for the purpose of grinding, herbs, plants, and other pharmaceutical materials. The Endowment has addressed the conditions of administrative service employees, including a guard, a clerk, and a cooker, and even those who collect and monitor patients' urine collection container, and those responsible for distributing medicine bottles and syrups, and their specifications. This clearly indicates that the people standing by know and follow up on every detail of the waqf ,their interest in providing the best possible medical service.[32]

Sultan Ahmed Hospital - Istanbul.

The Sultan Ahmed Endowment Complex has two original copies of the endowment documents, one in the Museum of Turkish and Islamic Arts and the second in the Top Kapi Palace Library. The specifications of the working people and their jobs are mentioned in detail, including the people who clean, wash patients, linens, clothes, and dishes, and remove rust, dirt, and stains, with a daily salary of three pieces of silver. As for the task of cleaning the corridors and rooms, heating the bathroom, and performing massages and scrubs for patients in the bathroom, it is the task of other employees whose salary is two pieces of silver per day. It also stipulates the appointment of two herbalists to grind herbs and prepare treatments for the patients, and it stipulates the appointment of two cookers who are able to prepare suitable meals for patients in a way that doctors can trust, and that Meals are delicious for patients, and their daily wages are three pieces[33]It was built at the request of Sultan Ahmed, but he died before its opening. It opened during the reign of Sultan Mustafa I in 1617 and had completed in 1621. From the endowment documents, there was a charitable bath as part of the health requirements. The endowment documents confirm the conditions required for the appointment of doctors & pharmacists. They must be friendly, not alienating strangers, and the doctor must be a humble and gentle person with good speech. They must have advanced academic degrees, in addition to experience and skill. Conditions were set for pharmacists to master the knowledge of medicines and ointments and how to prepare and mix them. The endowment required honesty in all employees. It is noteworthy that the doctors were making continuous visits to check on the patients and know their conditions. It had been used in the early 19th century only for psychiatric patients, it became known as Sultanahmet Bimarhanesi. Multiple endowments were allocated to cover hospital expenses and requirements, according to historical documents [34]

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[30]) PS- Yıldırım" Istanbul -darussifas

[31]) TANMAN , M. BAHA ."Atik Valide Sultan Külliyesi" (TDV Islam Ansiklopedisi C4, 1991): 68-73

Edirne Kapi Hospital (Gureba) – Istanbul:
At the beginning of the nineteenth century, the Ottoman Empire began to develop and renew the structure of the state and its institutions, imitating the European

countries close to it, which contributed to accelerating the pace of forming a

health system suitable for the new society. Military hospitals were modernized first, followed by civil hospitals. Hospitals established under the name (Al- Gureba Hospital) for the poor and needy among the Muslim outsiders. These hospitals specialized in providing services to these groups. The beginning was from Edirne Kapi Hospital, located near the old wall of the city of Istanbul in the Fatih region, which is the place from which the armies used to enter (Edirne Gate), and it was followed by several hospitals called the Ghurabaa Hospital in a number of cities in Anatolia and the cities of the empire, such as Mecca, Baghdad, Damascus, and Algeria, traces of some of them still remain exist. All of them were establishing with Islamic endowment financing and continued to operate, but obstacles occurred due to their large expenses and the inability of endowment funds to continue funding. During the time of Sultan Mahmud II, in the year 1835, due to the increase in population and the lack of health institutions that provided medical services, it is also believed that the plague epidemic spread, so the Sultan requested that one of the charitable kitchen buildings converted into a hospital, but the place was not suitable, so it was decided to convert the courtyard into the Mihrimah Mosque. Sultan, daughter of Sultan Suleiman the Magnificent, in Edirne Kapi to an alternative hospital. From the available documents regarding the amounts spent and the number of workers. The restoration only included adding wooden walls, and nothing new built . The hospital received patients in limited numbers in 1836, and documents show that staff numbers were reducing in 1837. The hospital received patients from Istanbul and abroad, as well as non- Muslim patients.[35]

Bazmi Alem Valide Sultan Hospital (Gureba Hastanesi) – Istanbul:
Bazmi Alam is the mother of Sultan Abdul Majeed. He had four children, all of whom became sultans. Thoughts that she was of Georgian origin. She converted to Islam and established charitable endowments. She had a distinguished position and had a good income from agricultural lands, in addition to salaries paid to her, gifts received, and donations. Therefore, she was in a distinguished financial position that allowed her to establish endowments and spend on them. It said that she visited the Gureba Hospital in Edirne Kapi and found the patients in bad condition due to the small place and lack of necessary equipment. The Sultana asked her son to contribute with her to establish the new hospital in 1845. The land chosen in the Nakash Bashi area is a place known as Yeni baht (New Garden), which is known for its purity of air and its distance from the city's congestion. It had been inaugurated in 1847 in the presence of the Sultan, the Grand Vizier, and state people. The endowment documents consist of 435 pages and include details about doctors, salaries, equipment, food, and required competencies[36].

Medical Education Awqaf

The college or complex system established by the Ottomans as Awqaf consists of a mosque surrounded by service buildings and had a clear contribution to
organizing the medical educational process. After many sultans added health institutions (Dar Al-Shifa) to the waqf institutions (mosque and school), the

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[32]) Dabekar Ömer, "Charitable women and their pious foundations in the Ottoman empire : The hospital of the senior mother, Nurbanu Valide Sultan. " Journal of the International Society for the History of Islamic
Medicine (Qatar, 5, 2006):11-20

[33]) PS. Yılmaz, "Osmanlılarda Sağlık: Health in the Ottoman , Darüşşifaları: 59

[34]) PS . Yıldırım" Istanbul -darussifas

[35]) MURSAL ,Seçil " Osmanlı Devletinde İlk Gureba Hastaneleri The first Gurib Hospitals in the ottoman stat) " Yüksek Lisans ،Sivas Ağustos 2017) :5-15

[36]) GÖÇER, Kenan "Bezmiâlem Valide Sultan ve Gureba Hastanesini Vakfiyesi, Çankırı Karatekin Üniversity ،İktisadi ve İdari Bilimler Fakültesi Dergisi، (Y. 2014 ,Cilt 4,sayı1): 123-150

presence of doctors in them, it became necessary to complete the educational process by establishing medical schools in their first forms, where the doctor supervises the education and training of new students through daily observations and the assistance they provide to patients. Those who wanted to study medicine would come to the hospital to see doctors and learn from them. Medicine was one of the recommended and required sciences in Anatolia[37]

Bursa Medical School :

It can be considered that the first specialized medical school was in Bursa in the Sultan Yildirim Bayezid Complex, which included a mosque, a school, and a teaching Students, and there was a doctor professor (Professor Hasno) who took charge of education and training at the same time[38].

Fateh Medical School: Istanbul

The establishment of Dar Shifa Al-Fateh or Al-Fateh Hospital worked to transfer students who wished to study medicine from schools to the hospital to receive medical sciences in the traditional way. With students following doctors and benefiting from their practical experience. Trainees in the medical field were also able to benefit from systematic education in schools to develop their skills and sciences they could later work in the Empire Palace or in another hospital [39]

Bayazid II Medical school -Edirne :

Sultan Bayezid II, the eighth Ottoman sultan, had great conquests and wars. He loved charitable works and helping people. The people of Edirne asked him to build a hospital and a service complex due to their urgent need for it. He ordered the construction of the Waqf complex in Edirne and made the hospital part of it. The school consists of eighteen student rooms and a classroom for teaching students, built next to the hospital on the eastern side according to the plan. The first teacher at the school was (Sheikh Lutfullah Zadeh Bahauddin. Students taught basic sciences, and after receiving theoretical knowledge, they trained under the supervision of specialists. Students were given pocket money. In addition to providing free food, the endowment documents also stipulate the specifications of teachers, their academic qualifications, and their salaries. Careful selection of qualified personnel and their duties ensured. Medical books were in the library, including in other languages. They donated by Sultan Bayezid and sealed with his own seal[40].

Sulaymaniyah Medical School :

The Sulaymaniyah Medical House building was considered the first medical educational building that was established on this basis separately from the rest of the complex and hospital buildings. It had designed to fulfill the purpose for which it was establish and is like current medical education schools.[41] The educational ground was prepared to receive its medical students who had completed their education in the previous stages of study. The endowment allocated them a daily salary, housing, and food, which reflects the Sultans' increasing interest in supporting medical education.

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[37]) Heybeli, Nurettin. "Sultan Bayezid II Külliyesi: One of the Earliest Medical Schools Founded in 1488." (Turkey, Clinical Orthopedics and Related Research® 467, 2009): 2457-2463.

[38]) Sari, Nil. " Educating the Ottoman physician." Foundation for Science Technology and Civilisation August, United Kingdom (2005):2-3

[39]) Sari, Nil. " Medical Education and related institutions in Istanbul" History of Istanbul Vol.8 https://istanbultarihi.ist/658-medical-education-and-related-institutions-in-istanbul.

[40]) PS . Heybeli, "Sultan Bayezid II Külliyesi " : 2457-2463.

The number of teachers and the number of students in the medical school can be known from the Waqf budget documents. Theoretical education in school, and practical education in Dar Al- Shifa. The student who wanted to join the Sulaymaniyah Medical School was required to have completed the previous academic levels, and it was stated in its Waqf documents that it was "a medical school built for the science of medicine," a term that was used for the first time to indicate the main goal of its establishment. Medical education has continued for about three hundred years, and it has an important effect on the medical specialty because the education process has become independent. Anatomy and Ibn Sina's book of law taught. Qualified people selecting to run the school. This school assume one of the most important medical centers in the time of the Ottomans[42].

Royal School of Medicine

Charitable medical Awqaf continued to provide their services, whether therapeutic or educational. Education was linked to the curriculum of the doctor who undertakes the educational process and not to a fixed and specific curriculum. At the beginning of the nineteenth century, it became clear the necessity of modernizing medical systems and information, especially with the contact of the Ottoman Empire with European countries in which signs of the modern renaissance began to appear. With the army's increasing need for advanced medical services and the empire had entering border wars with Europe At that time, the establishment of the first modern medical college began. later called the Al-Amiri School of Medicine and Surgery (the Royal school) Its official establishment was in 1827 by order of Sultan Mahmud II, and Mustafa Behçet Efendi appointed dean of the college. The number of students was forty students.[43]

Galatasaray Medical School:

At the beginning of the Tanzimat era, the nineteenth century witnessed a period of reform to modernize the systems in the Ottoman Empire. After the wars that the state went through and the emergence of a clear deficiency in military medical capabilities, Sultan Mahmud II ordered taking measures to establish a military medical school at his endowment expense. Two specialized skilled French doctors brought to supervise the establishment of the school. Due to the importance of the issue and the necessity of completing it quickly, opened in the old palace in Galatasaray, was restored and used. It was known as the Faculty of Medicine or the Galatasaray School of Medicine in 1839. The palace's rooms and halls converted into study halls and medical laboratories that equipped with the best equipment and tools like those in European countries the teaching was in French.[44]

Turk Medical School:

Efforts made to help students to understand the foreign language lessons. Efforts continued until 1866 when the sultan approached to create a classroom in Turkish within the Military Medical School, and this happened in 1866. It later proposed to translate medical books into the Turkish language to facilitate their study, and in 1870 a move had made to teach in the Turkish language from the first grade, and it became possible to issue medical bulletins and magazines and print them in the Turkish language. In 1872, the duration of study increased to six years. Turkish doctors formed an association to translate medical books issued in Europe, the medical dictionary, and medical terminology provided in the Turkish language. This association contributed to the translation of books on physics and chemistry, and its translation has become approved in scientific fields.[45]

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[41]) Benli, Gülhan. "Hospitals in the Ottoman Period and the Work of Sinan the Architect : Suleymaniye Complex Dar Al-Shifa and the Medical Madrasa." A+ Arc Design International Journal of Architecture and Design) Istanbul ,2, no. 3, 2016):1-9.

[42]) Ünver, Süheyl . A. Süleymaniye Külliyesinde Darüşşifa, Tıb Medresesi ve Darül'akakire Dair." Vakıflar Dergisi, 2 (1942): 195-207

[43]) Sarı, Nil, & Others "Mekteb-i Tıbbiye (1827-1909)" Tıp Tarihi ve Tıp Etiği Ders Kitabı ". İstanbul Üniversitesi Cerrahpaşa Tıp Fakültesi Yayınları İstanbul (2007):7-10

Gulhane Hospital for Clinical Applications and Training :

As the Ottoman Empire continued to wage wars and the constant need to modernize medical systems In the year 1897, after the political changes taking place in the empire, the scientific direction shifted towards sending students to Berlin to specialize at the invitation of the German government. A German professor of surgery and internal medicine had appointed to be an inspector of medical institutions in the Imperial Palace and health institutions. This doctor converted the Gulhane Military High School building into a hospital with a capacity of 150 beds, and it named the Gulhane Hospital for Clinical Applications and Training, and students sent to Germany trained after their return. The training was introducing in medical specialties such as internal medicine and ophthalmology, and a pharmaceutical unit had created to prepare medicines for other hospitals, as well as arranging dressing materials and preparing them for military sites.[46]

Haydarpaşa medical college :

In his reform plan, Sultan Abdul Hamid II requested that a new and modern military medical school had been establish since the military medical school in the artillery barracks was small and old, and not commensurate with the scientific progress in Europe and the New World. The Haydarpaşa area in Kadıköy, the Asian section of Istanbul chosen and designed to resemble a military barracks to be the headquarters of the new college. A doctor brought in from Germany specifically to supervise its construction and management. Italian engineers designed the building. Work on it began in 1895 and was completed in1900, but it was not opened due to a lack of equipment until the year 1903, when the school curricula were updated to become specialized in medicine and its sciences, and the subject of physiological chemistry, microscopic chemical analysis, anatomy, therapeutic diagnosis, and a clinic for psychiatry, neurology, and pediatrics were added.[47]

Faculty of Medicine -The House of Sciences -Istanbul -DarülfinunuTıp

With the declaration of the constitutional monarchy and changes in the structure of institutions, Imperial University was established in 1900 and included three schools (mathematical and natural sciences), religious sciences, and literary sciences. In 1908, a decision was issued to bring together professors and their assistants from the military and civilian medical colleges, and the Education Committee decided that there was no need For two medical schools, must merge. Members of the Civil Medicine School submitted to the Ministry of Education a request to change the name of the school to the College of Medicine, separate it from the Military Medical College, and give it new features and appearance. This was approval, and the Royal Medical Office became a new educational institution and part of the House of Arts which was convert later into Istanbul University [48].

Effect of Ottoman Awqaf on Health Sector

Providing the best medical care to those who need it During the review of the Ottoman sultans, their ministers, and their families, Awqaf documents, appear they are keen to register all needed information. Address the enumeration of the types of Awqaf allocated to serve the medical endowment, their details, and revenues, and explain the purpose of the medical endowment, the specifications of the beneficiaries, and the benefits granted to them. It focuses on the qualifications of doctors and workers, and their professional and moral qualities to ensure the provision of the best service and care to patients.

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[44]) Ülman ,Yeşim Işıl. Galatasaray Tıbbiyesi, Tıbbiye 'de Modernleşmenin Başlangıcı , (İstanbul, Bilgi Üniversitesi Yayınları, 2017) , 329- 334

[45]) Kırımlıoğlu, Nurdan ."19. Yüzyıl Osmanlı Devleti'nde Tıp Eğitimi ve Tıp Dilinin, Türkçeleşmesi Çabaları." Türk Dünyası Uygulama ve Araştırma Merkezi Tıp Tarihi ve Etik Dergisi 1, no. 1 (2016):9-13

[46]) AK Bilal . "Hospital Management and Organization in the Ottoman Empire " Recent Advances in Health Sciences, (ST. KLIMENT OHRIDSKI .UNIVERSITY PRESS SOFI,2016), 628

These documents link negligence and negligence in work by the medical staff to divine punishment in the afterlife and do not set worldly punishments for them, such as cutting salaries, for example, or stopping work, which reflects the goal of their creation. It is not professional or commercial work it is charitable[49]. In the Ottoman hospitals, medical treatment and health care were the first goals of Dar Al-Shifa, in addition to the rest of the services, including providing a clean, warm place to rest and providing nutritious and balanced meals. Patients are accepted regardless of race, sex religion the diseases they suffered from. It also adhered to Ottoman traditions linked to Islamic teachings in that it adopted the separation of the sexes to show respect for privacy The patients given warm beds, food, and accommodation and treated. If the patient dies, the process of washing, shrouding, and burying the deceased was conducted according to Islamic law by the hospital as well.[50]

Determining the spread of epidemics and diseases (Quarantine and Isolation)

The Ottoman Empire implemented medical quarantine in Anatolia and the rest of its territories, which reduced the chances of the spread of deadly and contagious epidemics. Since the borders of the Ottoman Empire extended east and west and included many ports where ships from various countries of the world docked, it has been noted that the transmission of many diseases and epidemics occurs due to mixing between travelers on board these ships and citizens present at the port, which causes the transmission of epidemics to the interior. Therefore, the Ottoman Empire began to respond to the quarantine system and implement it despite the strong opposition that occurred from European countries due to the delayed arrival of their ships coming from or heading to the East, which harmed its economy. Citizens of the Ottoman Empire also opposed this, especially those heading to perform the Hajj rituals and those coming from or returning from Africa. Awqaf hospitals were the only available &convenient places for such a procedure. It shows a big effect in decreasing numbers of the population affected by the epidemic with a marked reduction in mortality [51]

Developing methods for treating Psychological and Mental illnesses

The Ottoman endowments contributed to the organization and development of psychological and neurological treatment in a way that was completely different from the system of most countries in the world at the time. The association of health institutions with charitable endowments contributed to providing an appropriate environment for their care. While they were in these institutions, psychological and mental patients received dignified and humane treatment. The sounds of fountain water, Aromatic oil, and music were used for the treatment of mental and nervous illness was considered like any other disease that afflicts humans[52]The Ottoman doctors' writing of their observations and interpretations of the medical terms that were used to describe psychological and neurological conditions had an impact on the transmission of this information to doctors in the East and West. These classifications played a role in changing the stereotypical thinking about classifying these patients as crazy, losing their minds, and dealing with violence, and it became possible to look at them from a humane perspective. Be more tolerant and consider physical and mental health to be interconnected, one affecting the other, and combined treatment can used to bring about healing or reduce symptoms.[53]

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[47]) Sarı "Mekteb -i Tıbbiye (1827-1909): 24-27

[48]) Ihsanoglu, Ekmeleddin. The house of sciences: the first modern university in the Muslim world. Oxford University Press, USA, 2019.

[49]) PS , Yılmaz, Osmanlı Hastane Yönetmelikleri, 41-63

[50]) SHEFER , MIRI. "Charity & Hospitality, Hospitals in the Ottoman Empire in Earl Modern Period" Poverty and charity in Middle Eastern contexts "Michael Bonner, Mine Ener, Amy singer (2003) , 121-138.

[51]) Benli "Hospitals in the Ottoman period :2-7

[52]) Pulular, Aykan. and Raymond Levy. "The Külliye of Sultan Bayezid II–Psychiatry in history." The British Journal Of Psychiatry 219, no. 6 (2021): 631

[53]) Afacan, Şeyma . "From traditionalism to modernism: mental health in the Ottoman Empire." Master study,

Organizing the work of medical personnel &practicing the profession

The endowment documents confirm that the palace treasury budget covered the salaries of all employees, health workers, and doctors, whether inside the hospital or the medical college of the capital, as well as the rest of the country. It also includes covering maintenance and renovation expenses for buildings and wages for the necessary medical materials and equipment. Everyone had followed by the chief physician in the palace, who is the highest rank. During the years (1500- 1850), approximately 350 years, forty doctors held this position. Few held it more than once. Detailed information is available. They were conscious of following up on all medical affairs in the empire and preparing legislation related to work controls and the qualifications of doctors, pharmacists, and other workers in the medical and health field, which was not available. In any of the countries at the time[54]

Support and development of pharmacology and Medicines

Due to the instructions for practicing the profession, the pharmaceutical market had regulating, which is considered one of the most important markets and the most dangerous to community public health, as the breakout of these markets without oversight and accountability exposes them to cases of fraud and exploitation. Numerous legislations related to the quality of foodstuffs, herbs, and methods of weighing and preserving them have contributed to Providing standards for quality and safety[55]The Ottoman Charitable Endowments contributed to issuing the first official pharmacopeia during the Ottoman era in 1844 under the title of the Ottoman Military Pharmacopoeia by the Austrian physician Charles Bernard, who was the founder of the school of pharmacists at that time. It was written in French based on the Austrian Pharmacopoeia of 1841 and consists of 161 pages. The names of medicines were mentioned in Turkish, Italian, and Latin, in addition to French. In 1874, the French Pharmacopoeia of 1866 was translated into Turkish by Major Hussein Sabri. The manuscript was printed in the Shahani Medical Press and consisted of seventy-three chapters and 508 pages. It replaced Bernard's manuscript and became a guide for Istanbul pharmacists. And for a long time[56]

Production of vaccines and serums

The Ottoman Sultans cared about the health of their citizens and considered that providing the latest technologies to treat diseases was part of their duties towards society. As historical documents state, in the year 1886, Sultan Abdul Majid II sent a team of scientists and 10,000 Swiss francs from his endowment funds to the Pasteur Institute in France to learn how to manufacture Rabies vaccine according to an agreement between him and the French scientist Louis Pasteur, who requested that his research be funded by the Sultan in exchange for training several graduates of the medical college on it At 1893 The cholera epidemic spread widely in Istanbul, and another group was sent to learn the production of cholera vaccine and a bacteriological laboratory was opened in the Nishan Tashi area. This endowment initiative by the Sultan led to curbing the spread of infectious diseases that cause death and destruction, such as cholera, diphtheria, and smallpox. The Vaccine Laboratory and the Royal Serum contributed to adopting the method of vaccination for infectious diseases to limit their spread.

Sabancı University, (2010), 45-59

[54]) Sari, Nil. & Ali H. BAYAT "The Medical Organization at The Ottoman Court "Studies in History of Medicines & Science,) Vol XVI, No 1-2 New series,1999-2000 Jamia . Hamdard – HAMDARD , UNIVERSITY.
New Delhi , INDIA): 37-51

[55]) Rasimoğlu, İlikan. Ceren Gülser. "Boundaries, Education and Licence: The Nineteenth Century Ottoman Standardization of Medical Professions." Trakya Üniversitesi Sosyal Bilimler Dergisi (2017): 231-243

[56]) Arslan, Miray, Sevgi Şar, and Bilge Sözen Şahne. "The First Military and Non-Official Pharmacopoeias of the Ottoman Empire " Journal of History Culture and Art Research 6, no. 2 (2017): 82-91

Results

i. The Ottoman medical charitable Awqaf in Anatolia are part of the integrated endowment system that the Ottoman sultans and their families were keen to establish and provide their requirements, and Bursa Hospital (Dar Al-Shifa) is the first Ottoman endowment institution in Anatolia to provide medical care.

ii. The Ottoman Medical Awqaf in Anatolia contributed to the implementation of isolation and quarantine programs effectively, as they provided the appropriate place and services required to achieve the plans of the Quarantine Council in Anatolia.

iii. These Awqaf financed the development and advancement of medical sciences, created specialized branches, provided means of examination, and diagnosis, and modernized the medical system. Provided free educational places for those wishing to learn and practice various medical professions.

iv. Charitable Awqaf contributed to the development of pharmacology and drugs. They worked to regulate the circulation of medicines, which were herbs and plants. The practice of pharmacy was limited to those who were able to complete academic studies or evaluated and given permission to work. They contributed to issuing the first Ottoman Pharmacopoeia. The documents of these endowments also preserved medical prescriptions.

v. The Ottoman medical Awqaf had a clear and effective impact on the organization and development of psychological and neurological treatment in a way that was completely different from the system of most countries in the world at the time. The association of these institutions with the charitable endowment has had the greatest impact on preserving the lives and existence of these patients and treating them with dignity. The entire society, especially religious institutions, cooperated to preserve the rights of these people and deal with them as patients in need of care and attention, which constituted a milestone that moved to European countries and developed their methods and systems for dealing with these cases.

vi. The emergence of medical centers in Anatolia under the supervision of charitable endowments helped in the growing sense of religious and societal responsibility on the part of the sultans of the Ottoman Empire towards health and its programs. It has become clear that what was accomplished in terms of modernizing the medical system, communicating with the discoverers of vaccines and serums, and striving to establish laboratories to produce serums and vaccines in the capital, Istanbul, was done with special endowment funding from the Sultan himself, due to the huge sums of money that such a program requires at a time when the entire empire was going through stifling financial crises. Due to the succession of internal and external wars, the growing colonial ambitions in the possessions of the Ottoman Empire, and the ongoing secession movements for parts of it.

Recommendations

i. Serious and effective efforts by Awqaf institutions, community charitable

ii. organizations, and civil society organizations to revive these health endowments, provide support and funding for them, and encourage donors to pay attention due to their distinct and vital impact in supporting the health sector. The possibility of reaching permanent solutions through them to finance the health sector is a legitimate priority because it achieves one or more of Islamic legal objectives.

The need to focus and announce the distinguished societal and moral role that these endowments have provided, both in terms of providing health care to members of society equally and without discrimination, providing opportunities for free medical education, encouraging students and supporting them to join work within the various types of medical professions, and supporting workers in the sector by providing their nutritional needs and organizing The professional field in a superior manner and urged medical bodies and unions to adopt these distinguished humanitarian

i. supporting them to join work within the various types of medical professions, and supporting workers in the sector by providing their nutritional needs and organizing The professional field in a superior manner and urged medical bodies and unions to adopt these distinguished humanitarian approaches and make them a priority in the medical policy of Islamic countries.

ii. Creating mechanisms for cooperation between endowment agencies and health institutions to create effective and encouraging legislation to support this sector

iii. and benefit from the experiences of countries that have moved towards activating it and benefiting from its advantages, considering cultural and environmental specificities.

iv. Challenging work from Islamic researchers in socio-economic fields to show the bright picture of Ottoman Awqaf in the health field. Especially with the

v. continuous growing fear of viral mutant epidemics with the big financing shortage in the Health sector during the quick Geopolitics changes around the world.

vi. last but not least Striving to remove national and ethnic obstacles among Islamic peoples, showing pride and honor in all Islamic civilizations and

vii. countries throughout the ages, and researching their history to find solutions to our current problems. The end of the Islamic nation will not reform except by what reformed its beginning by adhering to the principles of Sharia and its refined human systems.

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