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Islamic social finance as an order ordained by Allah (Subhanahu wa Taala) for the benefit of mankind, seeks to provide an avenue for financial inclusion as well as entrenching social cohesion among Muslim communities across the globe. This is achieved with the application of Zakat (compulsory alms giving), Waqf (Islamic endowment), Sadaqah (Voluntary charity giving), and Qard (Loan giving) as the instruments. As poverty remains a social disorder and an affront to human prosperity, Islam has provided a remedy to its scourge. This chapter presents a discussion on poverty reduction if these instruments are effectively implemented in Muslim communities across the globe.

This chapter is a literature study on corporate social responsibility (CSR) of Islamic banks since the concern over CSR is significant to Islamic banks. A review of CSR theories shows that CSR is originated or influenced by Western values. Perhaps, that is why studies on CSR are quite few in Islam although its notion has been suggested to be consistent with an Islamic view of society. Therefore, the purpose of this study is to review the literature of CSR of Islamic banks by firstly looking at the discussion from a conventional and Islamic perspective. This chapter reviews six conventional theories on CSR with the Islamic notion of CSR namely, the Economic Theory, the Agency Theory, the Social Contract Theory, the Legitimacy Theory, Stakeholder Theory and Philanthropic Theory. Through literature review, it is found that, in conventional CSR there are few ulterior motives of doing it either for profit maximization or to comply with society's expectations or to get legitimacy from society or the combination of all motives except for altruistic CSR which is genuine philanthropy. On the other hand, the main motive of doing it in Islam is generally based, among others, on Tauhid, vicegerency, accountability, Taqwa, Ibadah and Da'wah principles. While the review done on CSR of Islamic banks, found that Islamic bank is an acknowledged legal entity in Islam, which consequently, is accountable for CSR. Therefore, there is a need to propose an Islamic CSR framework that can be used by the regulators involved to establish a CSR framework that is comprehensive, applicable and to be practiced not only in the Islamic banks, but also for other Islamic financial institutions and all Islamic business entities.

Pasar Malam (Night bazar) and Pasar Paghi (Morning bazar) are grassroots microenterprises in Malaysia and Indonesia. They combine traditional approach with the scope of modernizing to develop beyond restrained bounds. This chapter recognizes the potential for further organized ways of developing the grassroots enterprises through participatory development of enabling social choices. These opportunities are explained to expand from grassroots to institutional levels, technological appropriateness, and cooperative financing. All are taken up within the sustainability of life-fulfillment regimes of wellbeing and dynamic basic-needs regime of development. In Islamic nomenclature the wellbeing criterion is referred to as maslaha. It denotes the conceptual and quantitative measure of degrees of complementarities between the variables representing choices in the formal evaluative function. This study generalizes the resulting empirical model of wellbeing to strategy and policy implications of a generalized example of the grassroots.

History of Zakat in Nigeria is not uniform across various regions of the country. Ever before the invasion of the colonialists to the northern part of the country, its collection and disbursement were largely in the hands of the Emirs. This was not the case in the south-western region where Zakat was not given the desired attention by the Muslims and did not win the support of the rulers for proper administration. In the post-colonial Nigeria, Zakat administration in the northern part of the country received a boost consequent upon the re-introduction of Shari'ah legal system to some states in the region. While state governments support its collection and disbursement through agencies set up for the purpose, this is not the case in the southwestern region where no government is involved. This chapter sought to evaluate Zakat distribution in south-western states of Nigeria with a view to determining how compliant with Shari'ah the entire process is.

The modern financial system has continuously been traumatised by money laundering and terrorism financing. This is partly because it is a concept that revolves around the complex relationship between money and crime. The challenges posed by these menaces have become a phenomenon that the world has ceaselessly looked for means to address. Yet launderers and terrorists continue to perfect methods of perpetuating their illegal activities, while the havoc created by the menace of these crimes are enormous and remains unquantifiable in term of the actual estimate. Interestingly, Maqasid al Shari'ah has caught the attention of several Muslim scholars as a useful tool that can resolve several contemporary issues. Consequently, examining the relevance of Maqasid al Shari'ah which is the basis of Islamic Finance on money laundering and terrorist financing (AML/CFT) is desirable. The focus of this chapter, therefore, is to examine the relevance of Maqasid al Shari'ah in the fight against the menace of money laundering and terrorism financing

The purpose of this chapter is twofold: to investigate the relevance and the significance of interest-free formulae for conventional microfinance in non-Muslim countries, (with no religious connotation), and to lay out the foundation of a global interest-free microfinance model. The major result is that the interest-free Musharakah is just a simplified limited liability with limited duration conventional partnership. Sales-based Murabahah can also be a rewardable complement to interest. Islamic Ijarah is a leasing formulae also practiced in Europe and Africa. Salam is not far from conventional forward contact. Other finance formulae can also be used by conventional lenders to 'complement' the interest rate. These results, contrary to the general belief, concluded that investment formulae of the two systems are not far from each other. Moreover, interest-free formulae are practiced in Africa without being related to Islam. This indicate that if we look at the interest-free formulae from the point of view of their usefulness, and not from a religious point of view, these will have universal applications without being identified as Islamic. The chapter lays out the foundation of a global interest-free microfinance model capable of serving Muslims and non-Muslims alike.

The performance of MicroFinance Institutions (MFIs) is analysed for the period 2004-2015. Sample consists of 67 MFIs in the Middle East and North Africa region. It includes a subsample of 18 Islamic MFIs (IMFIs), whereof Solebusiness grants exclusively Islamic financial services and Window provides both Islamic and conventional services. A model of simultaneous equations with interacting variables tests seven hypotheses addressing financial performance, social performance, and the social and financial performance relationship. Conventional MFIs (CMFIs) experience higher financial performance than IMFIs and Window experiences higher financial performance than Solebusiness; IMFIs do not experience higher social performance than CMFIs; whether conventional or Islamic, MFIs face a financial vs. social performance trade-off.

While microfinance institutions play a role in the provision of financial services to individuals and small businesses that lack access to banking and related services, the question is: Can this role be taken up solely by the banking institutions? This chapter discusses the performance and application of microfinance institutions and challenges in developing a sustainable microfinance environment. The chapter deliberates the importance of integrating Islamic microfinance with Islamic commercial banks. It is argued that the integration of Islamic microcredit into the banking and credit schemes of Islamic commercial banks and Islamic microfinance institutions is a key to promoting financial inclusion. In addition, the chapter discusses how the Islamic microfinance model can be applied towards improving and humanising society and suggests strategies to improve the sustainability of microfinance institutions.

This chapter investigates the relationship between service quality of Baitul Maal wat-Tamwil (BMT) and the satisfaction of small and micro-enterprises in Indonesia with perceived benefits as the mediating variable. Primary data is collected from 454 small and micro-enterprises located in the western part of

While the same concept will be applied to Islamic finance, there must be a proper framework which will guide the Islamic crowdfunding platforms to raise funds for Shari'ah complaint projects as per Islamic laws and regulations. This chapter provides different outlooks of crowdfunding and illustrates how different Islamic finance instruments and products can be used in Crowdfunding. The chapter provides framework for process of crowdfunding campaigns which will be complaint with Shari'ah regulation under the supervision of the Shari'ah body. At the end of chapter, two crowdfunding platforms are discussed which does not claim to be Shari'ah complaint but can be roadmap for Islamic crowdfunding platforms.

Recent years have witnessed the growth of Islamic crowdfunding from its mere existence to successfully distinguishing itself from conventional crowdfunding. The concept of crowdfunding is known as a practice of funding a project or venture by raising small amounts of money from many people, typically via the Internet. The concept of crowdfunding has gained popularity worldwide as an alternative source of financing, especially among small businesses which include small and medium enterprises (SMEs). As SMEs continuously face lack of financing which may hinder their business growth, it is projected that the emerging crowdfunding model may help solve this problem while at the same time sustain SMEs' financial suitability. In this chapter, the concept of Islamic crowdfunding, crowdfunding models, the benefits and weaknesses of crowdfunding for SMEs, the applicability of crowdfunding towards driving financial sustainability initiatives for SMEs and issues for future research are discussed.

Small and Medium Enterprises (SMEs) play a vital role in the economic growth. However, the industry has been facing challenges due to lack of access to finance among entrepreneurs. This chapter explores alternative financing platforms for SMEs and proposes specific solutions to the credit risk of SMEs. Authors used a structured literature review approach to analyse relevant publication to provide evidence on the application of cash Waqf as a viable source of Islamic finance for the SME sector. The donation-based cash Waqf model for SME financing is developed under the lens of stakeholder theory and Maqasid al-Shari'ah. The model is expected to provide greater insight to Waqf institutions on their role to operationalise the conceptual model in fostering the growth of SMEs and change the perception of stakeholders about the dynamics and potential of cash Waqf in economic development.

This chapter discusses the concept of good governance in the context of Waqf institutions as a part of their process of revitalization. The study is qualitative and exploratory in nature, whereby a library research method was used by accumulating, identifying, and reviewing existing literature. Based on this information, further analysis was performed for the purpose of conceptualizing the Islamic Good Governance Framework for Waqf Institutions. However, the discussion is limited to the conceptual discussion of good governance in the context of Waqf institutions. This chapter proposes that the framework of Islamic good governance for Waqf institutions should be based on the principles of Tawhid (oneness of Allah), 'Adalah (justice), Mas'uliyyah (accountability), Amanah (trust), Shura (mutual consultation), Taqwa (Allah-consciousness), Hisbah (enjoining virtue and avoiding evil), and Maqasid Shari'ah (objectives of Shari'ah).

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The discussions on risk – its bearing, sharing, or transfer – have recently assumed prominence in Islamic finance literature in the wake of devastations the 2007-2008 financial crises unleashed across nations. Islamic scholars were quick to claim that there was no impact of the crisis on Islamic banks because they worked on a risk-sharing principle. In contrast, mainstream institutions suffered because they worked on a different plank – the transference of risk to other parties. This Chapter argues that neither the current practice of Islamic banking supports risk sharing as its sole principle nor do its future prospects depend on it. The proposition only seeks to put Islamic finance on a non-existent trajectory. It clarifies confusion regarding the proposition and some of its corollaries. Contextually, it deals with measurement of risk, its relationship with return to capital, and its distributional equitability. The focus of the Chapter is rather restricted. It does not deal with various types of risks the banks face in their financing activities or with issues in risk management.

This chapter investigates the operational risk management and practices of Islamic and conventional banks in Saudi Arabia. Authors employ a sample of four Islamic and eight conventional banks and data gathered through a novel questionnaire administered to senior officers and managers carrying out risk management activity across five aspects of operational risk management: (i) understanding risk, (ii) risk management, (iii) risk assessment analysis, (iv) risk identification, and (v) risk monitoring. The results demonstrate that all of these play an important role in determining the quality of operational risk management. However, risk assessment analysis and risk monitoring are the most influential in determining the overall quality of operational risk management in both conventional and Islamic banks. Overall, conventional banks in Saudi Arabia are better than Islamic banks at operational risk management practices, suggesting the need for careful planning and strategizing, sound recruiting and training policies, and prudent monitoring of capital adequacy by regulators.

Risk mitigation is one of the key elements in trade financing. The use of documents represents one of the main techniques by banks in managing risks in trade financing. These documents play an important role in financing, insuring, and guaranteeing the banking operations. Islamic finance, on the other hand, utilizes various asset-based contracts. Islamic financial institutions in Malaysia tend to reconcile, using a combination of these contracts, to replicate the conventional banking techniques. These can be at odds with the conventional trade financing concept that "banks deal with documents and not with goods". Hence, the undertakings may raise concerns regarding Shari'ah suitability. This chapter examines the challenges faced in the usage of documents covering all risk including Shari'ah risk management in Islamic trade financing.

This study has two important findings firstly, the theoretical results related to the efficient market hypothesis; and secondly, the results of application. The theoretical results show that if the market price of an asset includes all the information that influences its price, then that market is an efficient market. According to the efficient market hypothesis, investors cannot earn gains above the market return. Since stock share prices are unpredictable, it is assumed that when the information that the market had already been expecting is finally announced, the stock share prices will not change. That is because this announcement does not contain any information that can change the prices. The results obtained from the application show that the existence of abnormal return is valid for Islamic Stock Markets. Therefore, the findings mediate against the efficient market hypothesis. However, when the size of abnormal returns is observed, the results are almost equal to market returns. This finding supports the efficient market hypothesis. Islamic stock markets are integrated with the world at least as much as the non-Islamic global markets are. Islamic stock markets act together with the non-Islamic global markets. The risks and returns that the Islamic and non-Islamic stock markets provide to the investors are very close to each other. In conclusion, the efficient market hypothesis maintains its explanatory power for both Islamic stock markets and non-Islamic global stock markets. Islamic markets offer new investment opportunities on a global scale.