



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Islamic Social Finance and Its Roles in Developing Islamic Economy in Addressing Various Issues During The Covid-19 Pandemic

Zanirah Mustafa, Muhammad Fakhru Hadi Dzalihi'zzabir, Nur Asyiqin Abdul Moin, Amirah Elyana Shamsuddin, Nur Athirah Mohd Fauzi, Nur Huda Syazana Binti Sabri

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v12-i10/15290> DOI:10.6007/IJARBSS/v12-i10/15290

Received: 13 August 2022, **Revised:** 14 September 2022, **Accepted:** 26 September 2022

Published Online: 06 October 2022

In-Text Citation: (Mustafa et al., 2022)

To Cite this Article: Mustafa, Z., Dzalihi'zzabir, M. F. H., Moin, N. A. A., Shamsuddin, A. E., Fauzi, N. A. M., & Sabri, N. H. S. B. (2022). Islamic Social Finance and Its Roles in Developing Islamic Economy in Addressing Various Issues During The Covid-19 Pandemic. *International Journal of Academic Research in Business and Social Sciences*, 12(10), 1118 – 1130.

Copyright: © 2022 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licenses/by/4.0/legalcode>

Vol. 12, No. 10, 2022, Pg. 1118 – 1130

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
<http://hrmars.com/index.php/pages/detail/publication-ethics>



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



www.hrmar.com

ISSN: 2222-6990

Islamic Social Finance and its Roles in Developing Islamic Economy in Addressing Various Issues During The Covid-19 Pandemic

Zanirah Mustafa, Muhammad Fakhru Hadi Dzalihu'zzabir, Nur
Asyiqin Abdul Moin, Amirah Elyana Shamsuddin, Nur Athirah
Mohd Fauzi, Nur Huda Syazana Binti Sabri

Academy of Contemporary Islamic Studies (ACIS) Universiti Teknologi MARA Cawangan
Kelantan.

Corresponding Author's Email: zanir126@uitm.edu.my

Abstract

Islamic Social Finance (ISF) is a Corporate Social Responsibility (CSR) initiative in the form of humanitarian and socio-development programmes. ISF is done through various approaches and structures that are predefined by Syariah Law. Among the main structures in ISF programmes are Zakat, Awqaf, Purification Fund, Sadaqah, Microfinance and Sukuk. Innovative investments in humanitarian action through ISF will not only lead to long-term social improvements, but also to long-term resilience and to adaptive capacity-building for communities at risk. Such investments will empower communities to recover more strongly from shocks as well as facilitate social and economic inclusion within their populations. However, there has been limited study to discover its potential as it is at its nascent stage. The purpose of this study is to investigate how Zakat, Waqf, and Sadaqa can contribute to the development of Islamic Social Finance. This paper also details the role of zakat, waqf and philanthropy on economic development and the impact on social development. This study utilized content analysis to evaluate the issues and challenges of achieving Islamic Social finance goals from the secondary resources. Library methods of study, interviews, documentation and research are used to collect information related to Islamic social finance. Islamic Social Finance is an important area of growth similar to Islamic Finance. The results would provide us an opportunity to further develop the potential of Islamic Social Finance in enhancing the society and wellbeing of the Ummah.

Keywords: Islamic Social Finance, Welfare, Philanthropy

Introduction

Islamic social finance is a branch of Islamic finance that offers non-profit products and services. Islamic social finance has also been called "Islamic social safety nets" and this is also considered a charitable sector (Mohammed & Feddad, 2020). Islamic Social Financing (ISF) is a Corporate Social Responsibility (CSR) initiative in the form of humanitarian and social development programs of Islamic Financial Institutions (IFI) and corporations. Islamic social

finance is akin to the conventional social finance, but the Islamic social finance is subjected to the established principles of Shari'ah in Islam. According to conventional practice, social finance can be traced from investments in the form of equity or debt financing (Investopedia, 2016), microfinance, and social impact bonds. Islam is found to already provide a socially based financial investment that can benefit not only the individual but also the wider society. Taken from the study of social finance, it is identified that the concept of Islamic social finance is broad and already exists in Islam. For the sake of definition, it includes traditional Islamic instruments based on philanthropy (such as Zakat, Sadaqat and Waqf) and cooperation (such as Qard and Kafala) (Islamic Social Finance Report, 2015: 8). It is not just limited to traditional instruments, it also covers the modern form of Islamic financial services, such as Islamic microfinance, Sukuk and Takaful, which aim to solve societal challenges. Islamic Social Finance (ISF) represents the various institutions under the Islamic umbrella aimed at protecting social welfare as well as individual interest to stimulate economic activities for one and all and enhance public happiness. The goals of Islamic social finance are to achieve social justice through the redistribution of wealth. From Maqasid al Shariah or goals from the perspective of Islamic law, it is obligatory for one to help each other to protect each other from difficulties as one can achieve success in this world and in the hereafter.

Social Economy and Social Welfare

a) Social Economy

According to conventional wisdom, the social economy is a third sector of mixed capitalist economies that exists in addition to the private and governmental sectors. In contrast to the traditional economy, the social economy is center on cooperative, not-for-profit, and voluntary activities rather than paid activities that take place inside communities, across national economies, and across international borders.

The social economy can be characterized as a collection of distinct social purposes pursued by the numerous organizations that make up the social economy as a whole. When it comes to the interaction between social processes and economic activity within a community, social economics is the field that most people are familiar with. An attempt to explain how a particular social group or socioeconomic class behaves within a society may be made in social economics.

The many different kinds of cooperative, mutualistic, and associative organizations that exist today. Formalized third-sector organizations are buried in the evolution of human society. It is critical to reconstruct social economies in the manner in which they have evolved, as well as to be aware of the prevailing intellectual currents that made a significant impact on a person.

The relationship between the economy and social behaviour is studied in the social economy. A social economy emerges in response to a need for new solutions to challenges (social, economic, or environmental) and to meet needs that have been overlooked (or inadequately met) by the commercial and governmental sectors. The social economy not only brings about required changes in society, but it may also serve as a model for others to follow, whether it's mainstream business or legislators who are compelled to rethink and reform their current policies.

b) Social Welfare

It is possible to define social welfare as the well-being of a society as a whole. It can be regarded as a program that was established to secure the well-being of the people and the

care of the individuals. In the field of social welfare are those laws, programs, benefits, and services that ensure or strengthen the provision of services to meet the basic social requirements of the community while also maintaining peace in the community. People and their families gain from the welfare system, but it also adds to the well-being of social surroundings such as schools and workplaces, which is beneficial to everyone. People who do not have access to these services can benefit from social welfare programs, which provide them with housing, medical, nutritional, educational, and employment help. It is only through the dedication to achieving and maintaining a healthy, safe, and productive people that social services and investments in the public have meaning and purpose

Social welfare is an essential tool for redistribution, social cohesion, and solidarity and should be at the core of European project construction. When bad social and market policies are properly considered, they can serve to promote social justice, economic efficiency, and productivity. The distribution of consumption on a scale depending on household size is a measure of social welfare. The measure of social welfare is the distribution of consumption on a scale based on household size. It can be termed as the equivalent household consumption distribution.

In conclusion, the state of well-being of society is referred to as social welfare. It's a state or situation of human well-being that occurs when social problems are addressed, human needs are met, and social opportunities are maximized. When all three are met, a family, community, or society can be said to have a satisfactory level of well-being. The term 'welfare' relates to a person's 'well-being,' or what is 'good' for them. The providing of a minimum level of wellbeing and social support for all citizens is known as social welfare. In general, social welfare refers to a wide range of activities and services provided by the government, volunteers, and non-profit organizations to support poor people who are unable to care for themselves, with the goal of eliminating or reducing the occurrence of social issues.

Institution of Zakat: Introduction of Zakat

Zakat is an obligation that must be performed by Muslims. Zakat is the fourth of Islam's five pillars, and it is extremely significant to Muslims. It is because with the collection of zakat, it will be given to those who belong to the group of asnaf. Muslim who is financially stable, should to pay zakat because it is a mandatory. Zakat is an act of worship that every Muslim should perform to help the assist Muslims who are less fortunate. Zakat is mentioned several times in the Quran.

Following that, zakat can purify the property and soul from being arrogant with their wealth and avoid a stinginess. According to Islam, those who have higher income should donate 2.5 percent of their wealth to those who are poor and needy. Wealthy people have a responsibility to serve the poor by assisting them in any way they can. Zakat is a religious obligation, not a choice philanthropy. Furthermore, Allah SWT creates a grateful nature.

Zakat is a category that includes both ibadah and muamalah fiqh. Zakat will be distributed to those who have earned it. The collection's revenues will be used to give a little amount of wealth from the wealthy to the underprivileged. Apart from that, paying zakat can purify and cleanse the payer of greed and selfishness, and it can also result in receiving a favour from Allah. Zakat is divided into two types: zakat maal and zakat fitrah. In Islamic law, zakat Fitrah is self-zakat, which is required of every Muslim man or woman who is capable of doing it under the prescribed conditions. In accordance with Islamic tradition, zakat fitrah should be paid during the holy month of Ramadhan, although zakat maal can be paid at any

time of the year, month or year because there is no set period for zakat payment, and zakat maal is mandatory for those who are already entitled to pay it.

Zakat must be paid as stated in the pillars of Islam and also in some verses of the Quran: "The alms are only for the *Fuqara* (the poor), and *Al-Masakin* (the needy) and those employed to collect (the funds) and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt, and for Allah's Cause, and for the wayfarer (a traveller who is cut off from everything), a duty imposed by Allah. And Allah is All-Knower, All-Wise." [Taubah 9:60]

The *Fuqara*, or the poor, are one of the eight groups that are eligible to receive zakat or *asnaf*. They are having some money to life but not enough to live a normal life like others. Secondly, the *Masakin* or the needy namely people who are extremely poor and do not have anything such as food, cloths and shelter. Next, the *Aamileen* or collectors of zakat is persons involved in the collection and distribution of Zakat. After that, *Mu'alaaf* or the poor and needy who recently converted to Islam. It is because to strengthen them in Islam. *Ar-Riqaab* or slave or freeing captives and wants to free himself from shackless slavery. A stranded traveller in need of financial assistance, also known as *Ibnu Sabil*. Next, *Gharim* or debtor who cannot repay on his own and debt more than assets. Lastly, *Fisabilillah*, or those who are away from home in the path of Allah, such as those engaged in Islamic propagation, Jihad, and other activities.

The Qur'an mentions several types of zakat, which are categorised into three categories according to their significance. Firstly, there's the zakat on gold and silver. Zakat on livestock and agriculture is the second. Finally, there's a treasure. Zakat must be paid because it is a pillar of Islam and a responsibility to Muslims. Furthermore, the Qur'an specifies how zakat should be distributed accurately while also allowing Muslim's payment flexibility.

In conclusion, zakat is an obligatory practice for every Muslim because its purpose is to help people who are in trouble and unable to live a normal life like others. Next, is to build a bond between the slave and the creator. Furthermore, for the human-to-human relationship. As a result, everyone must ensure that they are capable of carrying out this responsibility.

The Role of Zakat As An Economic and Social Instrument for Poverty Reduction

What is Zakat in economics? As a transfer payment, zakat is a vital tool for achieving social welfare in an Islamic society. Zakat has a favourable impact on global economic development, according to the overall analysis. Micro research, in particular, reveals that Zakat has a large positive impact on household welfare.

Zakat is primarily a religious act, but it is also a unique distributive mechanism that aims to ensure that wealth and property are not expropriated and controlled by a small number of individuals, and that everyone can benefit equitably from the provisions. Zakat, as a significant component of Islam, is the backbone of the Islamic economy, with a role that is both diversified and limitless. It covers all the aspects from social to political to psychological, this is because it is an economy.

Zakat is acknowledged as a fiscal tool in Malaysia, with income taxpayers receiving a rebate if they pay zakat. Zakat has a favourable and strong association with economic growth, consumption, and investment, according to this study. This means that raising the amount of zakat distributed will have a positive impact on economic growth, consumption, and investment. Finally, the ECM analysis reveals that the distribution of zakat has large and favourable effects on economic growth. The zakat variable has a positive and significant long run elasticity. In Malaysia, empirical research suggests that zakat has an impact on economic

growth, investment, and consumption. As a result, the Malaysian zakat administration model and fiscal tool can have a macroeconomic impact. Other countries could adopt a similar budgetary policy.

Zakat has a positive economic effect on society. It helps solve poor and needy problems. It plays an important role in the redistribution of wealth and resources as well as and encouraging better productivity. As a result, zakat is very essential in terms of economic development and poverty eradication. The first function of zakat is that it aids in the redistribution of wealth and income. Through prudent management, it can transform society, especially the Muslim community towards piety to carry out God's command SWT and uphold the word of monotheism on earth.

Secondly, it contributes significantly to resolving the issues of the poor and needy. It is because zakat acts as a stabilizer natural especially when the country is facing an economic downturn, namely the collection of zakat decreases automatically. This allows Muslims to respond to recover and revive economic growth. When the economy is in good shape, already of course a lot of zakat is collected, and this will reduce one's expenses, and so reduces economic activity and fluctuations. Therefore, Zakat can act as one of the resources in solving problems during a crisis economy. With zakat, it can solve the problems of the poor and to overcome the problem of unequal income gap among them.

The next role of zakat is instrumental in the redistribution of resources among the different areas of investment and consumption. it will be able to open up opportunities for these occupations and recipients no longer need to depend on the source of zakat. In the end once, zakat can help the State in reducing the problem of unemployment.

Lastly, it encourages better productivity and greater consumption. Projects in the fields of education, health, environment and also potential social welfare have been financed by zakat funds can greatly increase the productivity of the poor and can improve people's living standards Islam, which can increase income and eradicate poverty.

In conclusion, the Zakat system established the world's first universal welfare system. Zakat serves as a distribution mechanism for income and wealth where it avoids the occurrence of accumulation of property among certain groups in society. The collection and distribution of zakat need to be well managed and wise so that the goal of helping the poor can be realized. Projects funded from using zakat funds in the areas of education, health, and potential social welfare greatly increase the productivity of the poor.

Institution of Waqf: Introduction of Waqf

Waqf or its plural awqaf means to hold. The institution of waqf consists of waqif (endower) acquiring or putting aside certain physical assets and ensuring that benefits continue to flow to a specified group of beneficiaries or the entire community. The practice of religious endowment, known as waqf, was the most effective method of protecting one's person's property against state interference and confiscation.

The waqf systems service were health, education, and religious facilities such as mosques, schools, cemeteries, etc. Directly or indirectly, a waqf might provide a solution to a person's issues by providing social and welfare services. Following the Prophet's (PBUH) Sunnah, formed the institution of waqf served as the foundation upon which built the Islamic socioeconomic development model. The spirit of giving the Qur'an is the source of inspiration for the waqf. In more detail, the Prophet SAW stated:

When the son of the Prophet Adam A.S. Passed away, his good deeds will be cut off unless three things: The first: the endless charity (Sadaqah Jariah), Second: knowledge which benefits for the people, and the last: the good son who continuously pray to his both father and mother-narrated by al-Bukhari and Muslim.

Waqf is a type of trust that Muslims believe will continue to benefit from them even after their deaths. Waqf is a term that refers to the religion and economic structure of Islamic society, both of which have played a significant role in the history of Islamic civilization since its inception. This Islamic organization was widely known and widely acknowledged as one of a kind to create the human society, particularly in meeting fundamental needs and serving as a system supporter and providing access to accessible infrastructure. The beneficiaries of waqf are entitled to a legal interest in the usufruct of the waqf property itself. Four fundamental conditions of validity govern the waqf are irrevocable, perpetual, inalienable and a charitable purpose.

i) Irrevocable: It is not possible to take property from a person who has endowed it with a charitable purpose (waqf). It is also meaning the lack of power of the endower to revoke his donation at any time.

ii) Perpetual: The specific object of waqf does not need to be fixed. If the thing no longer exists, the waqf income is used for similar charitable purposes. What is desired is the perpetuity of dedication and not necessarily the perpetuity of the object.

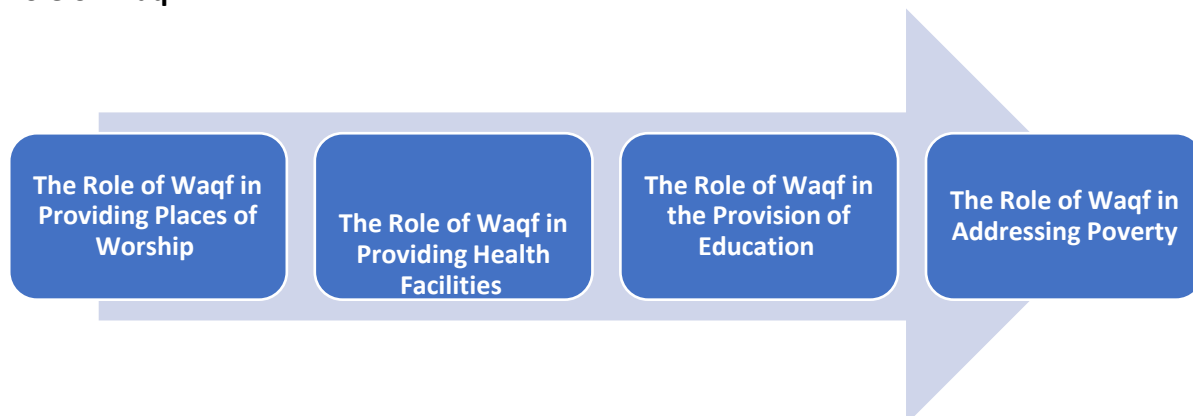
iii) Inalienable: In accordance Islamic law, property cannot be the subject of a sale, disposition, mortgage, gift, inheritance or attachment' nor can it be the subject of any transfer of ownership by a waqif or a mutawalli or their heirs.

iv) A charitable purpose (Waqf): The purpose of creating waqf is to facilitate the accomplishment of virtuous activities that are agreeable to the Almighty. Waqf is typically utilised to construct mosques, schools, and charity organisations in developing countries. When a waqf is established, the preservation and long-term viability of the structure become a priority.

There are three categories of waqf which are consist of waqf Zuhri, waqf Khairy and waqf Ahli. One is the pure religious waqf, waqf Zuhri. For example, the property used for worship such as creation of mosques, madrasah, supply of Quran and performing haji. Next, waqf khairy is the second categories of waqf. The purpose waqf Khairy is to charity and philanthropy. For instance, of waqf Khairy is typically used to finance schools, poor, needy and the orphan. This is meant to help financially-challenged individuals and communities. The last category of waqf is waqf ahli. This type of waqf is designated for the waqf founder's children and their off-spring such waqf relatives and descendants of waqif. In addition, there are four pillars of waqf which are the founder (waqif), the waqf assets (mauquf), beneficiary (mauquf alayhi) and expression (waqf contract). Firstly, the founder must have owned the property at the moment of endowment. At the same time as a Muslim waqif, God will reward them in this world and the next. Non-Muslim waqifs will be rewarded in this life if they follow the rules of Islam. Next, the waqf assets are a fund that has been endowed as a waqf for the benefit of charitable organisations. In the viewpoint of Shariah, the waqf assets must be valuable. Besides, the beneficiaries the recipient of the income or revenue from mauquf. The last one is expressions that waqf contract refers to sighth and the method by which a waqif donates their asset or fund as waqf. The notion of Waqf, or endowment, in Islamic civilization serves as a powerful instrument for organising and changing the state of richness and wealth in society, as well as for managing that state of riches and money. Waqf, in particular, can be separated into two categories: the right of the proprietor and the right of the consumer. As a

result, we can conclude that the Waqf or endowment constitutes an unending charity, or Sadaqah Jariyah, which continues to provide benefits to the people even after the death of the donor.

Role of Waqf



(1) The Role of Waqf in the Provision of Education

The role played by waqf institutions in providing education indeed very much. Education is important for development human resources. Even economy have proven that education is an important factor in achieving economic growth after World War II. Education is important to develop knowledge society and in turn influence the process of national development. In a report by the World Bank explained that education has a strong link with economic growth. In moderate countries develop for example, found that in Africa the farmers ever got an education even primary education for four years are able to produce high agricultural yields compared to farmers who never went to school. In addition, with education, it will help someone to grab a job and allow them to choose the profitable work. For example, they can do business in a modern form and not just undertaking handicraft work. Even in the selection process employees, employers will be more likely to choose that employee have higher education than employees who have low education. Due to the importance of education in the development process and economic growth, UNDP has formed a development index human being who have set a literacy indicator as a marker that a society is developing. High reading rate at in a country means that the country has reached a part of human development. When human development is achieved, this means that the country is a developing country.

In Malaysia, based on the available facts, the contribution of waqf in providing education to Muslims is immense. Institutions educational endowment in Malaysia begins with the institution of pondok studies, followed by the madrasah system of education or Arabic stream schools and so on, after independence the government took over this waqf educational institution to be managed according to mainstream schooling. Review by Ahmad Zaki Hj Abd Latiff et al found that nowadays educational institutions waqf in Malaysia consists of Sekolah Agama Rakyat (SAR), State Religious Schools (SAN), madrasahs and huts. Until 2005 It is estimated that there are 174 educational endowment institutions in Malaysia. In Selangor, the development of Sekolah Rendah Agama in Pulau Indah by using part of the waqf share fund of RM 2 million. The same goes for the Cyber Community Information Center, MAIS, in Wisma MAIS Section 3, amounting to RM 350 thousand, as well as proposed construction projects the library of the Selangor International Islamic University College amounting to RM 13.3 million.

(2) The Role of Waqf in Providing Health Facilities

As already discussed, health is an indication to economic development then ease of access to services health by the people is very important. In this context, in Malaysia there are hospitals and clinics provided by government and private, institutions waqf is also seen to play a role in providing health at a cost cheap to the community. In Johor for example, Johor Corporation through Masjid AnNur KotaRaya and in collaboration with the Johor Islamic Religious Council (MAIJ), has established the Waqf AnNur Clinic, which is a health center that based on the concept of waqf. Johor Corporation has endowed Lot 85.86 and 87 3rd floor of Plaza Kotaraya next to Masjid An-Nur Johor Bahru as a clinic site with a total development cost of RM 425,160.20.

There are 8 networks of Waqf An-Nur Clinics of which four clinics are located in Johor, one in the State Nine, 2 in Selangor and one in Sarawak. In addition, there are a Waqf An-Nur Hospital operating in Johor. All networks Waqf An-Nur Clinic also provides dialysis services with how much subsidy. Kumpulan Waqf An-Nur Berhad has also collaborated with the Council Islam and Kelantan State Customs (MAIK), to open a waqf clinic in Kelantan located in the compound of the Village Mosque Sireh. This waqf clinic aims to provide medical services to underprivileged patients regardless of religion at the minimum price. This means that waqf has a guaranteeing role the well-being of the ummah regardless of religion and race because of the recipients of waqf not specifically required of Muslims alone. So, the role of waqf in providing health facilities are so important because in this era, many people do not have a job and cannot afford to support a family. Nowadays, the medicine was so expensive and can't afford by the poor people. Therefore, waqf can help them for health facilities if they get sick.

(3) The Role of Waqf in Providing Places of Worship

Mosques and madrasahs are places were worship activities, demand science as well as spiritual filling can be done. With the existence of a society that endow land or money for the construction of a mosque, then directly Muslims can worship and develop their spirituality. Development economics takes into account the well-being of life and the quality of human life. Well-being and peace of mind are obtained through close relationships man and the Creator. In Malaysia there are many endowed mosques. In Selangor, Tengku Kelana Jaya Petra Mosque, Taman Bandaran Kelana Jaya was built through the Selangor Waqf Share Fund in full amount RM 8 million. Masjid An-Nur, Kampung Kunci Air Buang, Tanjung Karang has rebuilt using part of the Selangor Waqf Shares amounting to RM 350 thousand. In Melaka, the Al-Hilal Tanjung Bidara Observatory Project with an area of one acre built on waqf land in Tanjung Bidara, Melaka. The management and construction of the Observatory Project was carried out by Melaka State Mufti's Office. The State Government has funded the project with respect to costs amounting to RM 2.35 million. The project was completed on end of 2002 and began operations in 2003. The purpose of its construction is to make it easier to see the crescent moon by using technology latest. In addition, the hall is also used as a discussion place staff of the Mufti's Office.

Meanwhile, Johor also contributed in terms of mosque management assistance that is, by providing carpet and speaker assistance as well as other assistance which is appropriate in mosques and suraus throughout the state of Johor from source of endowment share proceeds.

The Malaysian Institute of Teacher Education in Bangi, Selangor also use waqf as a way to prepare the carpet in the Imam As-Syafie Mosque that is introducing by the waqf of prayer carpets and successfully installing carpets throughout the mosque.

(4) The Role of Waqf in Addressing Poverty

Poverty is the economic condition of a person who lacks necessities essential basics in life include money, food, water, education and shelter. Among the indicators of poverty is that a person is illiterate, no education, no skills. According to Saif Siddiqui, the formula World Bank to reduce poverty by increasing economic growth and direct assistance to the requires has been contained in the teachings of Islam itself based Islamic financing, zakat and loans without usury or *qard al-hasan*. Waqf can address poverty with the construction of hospitals for the poor, the construction of schools, the construction of universities, the construction of training and skills centers as well as the construction of housing for the poor. Thus, by creating schools, universities, educational institutions high as well as training and skills centers, waqf will help the group of poor get education for free or at low cost.

People who are illiterate or do not have any skills have a low chance of getting a job. The effect they will continue to be in poverty. The practice of educational endowment available in various forms and properties, property that has been endowed by waqf that's are waqf of student dormitories, waqf of buildings, books, tables and others. A person is also considered poor if he does not have access to health services. The impact, due to poverty they can't go to hospital or get treatment in clinics when sick, pregnant and others. The effect is when they don't get that treatment supposedly when in pain, it is likely that the pain will worsen and have an impact long-term and short-term. For a short-term effects, they maybe are unable to work due to health problems. So, for a long-term effects, it will be affecting their lives for a lifetime. For pregnant mothers, if they do not receive treatment during pregnancy or after delivery, it will affect the baby and the mother herself. Babies may be at risk of malnutrition. With a hospital or endowment clinic, it will help the poor get health care for free or a rate low fee.

Institution of Philanthropy (NGOS): Introduction of Philanthropy

Islam is a comprehensive way of life. Its teachings include the need for mutual assistance in a community and the abandonment of conflict. Allah SWT says: 'help one another to do what is right and good; do not help one another towards sin and hostility' (Quran, 5:2). This verse tells humankind to strive together for goodness. Furthermore, the Quran promises that Muslims who spend their wealth in philanthropic activities will attain felicity and purification of the soul. In Islam, the spirit of giving is also crucial. Philanthropy supports the elimination of the causes of personal sufferings of fellow human beings. It is also a manifestation of care and love. In the non-profit world, the words of philanthropy or charity are always used interchangeably. There are a lot of similarities and also have some differences that readers must know and be aware of. Both words are describing about helping people or goodwill to other people. There are some examples that we can give to help them like time, money, experience, skills, and networks. Philanthropy also comes from the private giving for public purposes by individuals, corporations and foundations and philanthropy is also a widespread activity. However, the biggest part of the differences often lies in how people are perceived by individuals in the community. Islamic philanthropy has also been practiced since the time of Prophet Muhammad (PBUH) and his companions. Zakah, Waqf (donation), Sadaqah (charity) and Qard.

Al-Hasan are some of the Islamic philanthropy because they reflect with social tenets of Islam and also been a promoter in Islam to be the best religion in the world. Philanthropy demonstrates the sincerity of one's faith. True faith in God should motivate a person to help others by willingly contributing some portion of his wealth, energy

and mind to their well-being. On the society level, philanthropy is a powerful means of achieving *maslahah* (public interest) as it helps in reducing the concentration of wealth among the rich only. Therefore, a person who gives in charity and then reminds the recipient of his favour upon him and it is not spoils any reward with God by doing so.

The Role of Philanthropy in Islamic Finance

In Islamic finance, there are many roles that we should know and philanthropic foundations play an important role in sustainable development and also not only in mobilizing financial resources. One of the roles is can be able to lighten the burden of others and it can make their lives more meaningful as they have received donations from whichever agencies are involved. In addition, the role of philanthropists is also to improve the image of the country. This is due to NGOs that always provide assistance to neighbouring countries such as Syria, Palestine and so on. So, as a caring Malaysians we must always help those who need our help as well as able to make them happy, we also get a reward from God Almighty. The role of philanthropy in Islamic social finance is to reduce the poverty rate in our society. The poverty rate among single mothers, the elderly, the b40 group and women whose husbands have died is high. It is due to lack of sources of income. The role of the NGO is also to ensure the well-being of the community so that their lives are better protected. The NGO likes to help the community regardless of race, religion and politics makes him admired by the community. Finally, the role of non-governmental organizations (NGOs) is to help victims of natural disasters. Various forms of humanitarian assistance are to help victims of natural disasters for all walks of life in our country. There are several forms of humanitarian assistance provided by them such as basic needs assistance food, clothing, finance, health check-ups, counselling services, and protective assistance. The main purpose of humanitarian and medical assistance is to save lives as well as alleviate suffering and help victims in terms of psychological problems. The role of NGOs also helps to mobilize economic sectors that are paralyzed by natural disasters. For example, providing assistance to build damaged infrastructure such as schools, hospitals, clinics, and roads. With this, we can ensure the future of the people affected by the disaster is improved.

Advantage of These Three Social Islamic Finances

As we know, there are a few advantages about these three social Islamic finances and the first one is the *zakat*. Allah SWT says in the Quran “property issued for the benefit of others will add property and make his property pure, clean, fertile, grow and flourish (surah al-Rum: 30: 39). *Zakat* also can prove the obedient of the servant in the sight of Allah SWT to increase the quality of love for the poor. Indirectly, *zakat* is able to free an individual from the nature of arrogance and love of property. *Zakat* is included in the early forms of philanthropy in Islam. Besides that, distribution of *zakat* aims to develop the social quality of the community by meeting the basic needs of the *asnaf* such as protection, livelihood assistance and health care. The existence of the underprivileged in a country is a natural thing that is difficult to avoid. The imbalance that exists in the socio-economic aspect between the rich and the poor has the potential to weaken society as a whole as well as affect the harmony of social life if allowed to continue.

Besides that, the other advantage in social Islamic finance is a *waqf*. Overall, the progress of *waqf* institution in the Islamic world has ensured that people get perfect protection, nutritious food, quality education and health care without charge. The function of *infaq* is very significant in terms of justice and poverty eradication. The passion to contribute

is not only to meet the basic needs of the needy especially the poor. In addition, through waqf, it can bring us closer and manifest our devotion to Allah Taala. As we know, this waqf has been done since the time of Rasulallah SAW and until now waqf is still done by Muslims. So, as Muslims we are strongly encouraged to waqf in the way of Allah so that with waqf our lives will be calmer, harmonious and always blessed by Allah Taala.

For the last advantage in social Islamic finance is a philanthropy and its role in helping each other in need. We do not live in a perfect world and there is never going to be a perfect time to give but there are people out there in need of help. As we know the agency like NGOs is role on helping people in need. Besides that, it also can bring more meaning to our life because when you donate money to charity, you create opportunities to meet new people who believe in the same causes that inspire you. If you've been stuck in a rut, whether personally or professionally, sometimes the simple act such as donating cash can do the trick and make your life and others happier. Lastly, helping others in need also can be an advantage in this development.

Conclusion

In conclusion, although shariah based social financial system is relatively young industry, but it has been receiving a growing popularity and providing financial services to those who do not accept the interest-based conventional financial system. Islamic financial social is very important to form a clean soul in human beings. Through the social medium of Islamic finance, Muslims can clean up their property by sharing their property with others. So, a person who is pure in soul will not easily feel arrogant, ripples, arrogant with the property he owns. With this, we can educate the soul to always share sustenance with those in need. Secondly, Islamic social finance is a medium for us to express our gratitude to Allah for the sustenance bestowed by Him such as paying zakat and giving alms to the appropriate group. As mentioned in the Qur'an surah Ibrahim verse 7: And remember when your Lord proclaimed, 'If you are grateful, I will certainly give you more. But if you are ungrateful, surely My punishment is severe. Even through this good practice it can improve the quality of the soul as a believer. Last but not least, we can increase the growth rate of our economy. This is because, social finance such as zakat and waqf is an important instrument in the economy especially in the Covid-19 era to address various issues of poverty, inflation, and high unemployment.

References

- Ahmad, M. F. (2020). Determinants of Corporate Waqf Contribution from the Perspective of Muslims in Malaysia. *ICR Journal*, 11(2), 252–276.
- Ghazaleh, P. (2011). *Held in Trust: Waqf in the Islamic World* (1st ed.). The American University in Cairo Press.
- Hassan, S. A., & Khairuldin, W. (2020). Research Design Based on Fatwa Making Process: An Exploratory Study. *International Journal of Higher Education*, 9(6), 241-246.
- Khalaf, A. M. (2021). *Role of zakat in the economy*. ahmad khalaf, mba, cclp. Retrieved January 5, 2022, from <https://www.linkedin.com/pulse/rolezakat-economy-ahmad-khalaf-bba-cclp>.
- Liberto, D. (2021). *Zakat Definition*. Investopedia. Retrieved January 5, 2022, from <https://www.investopedia.com/terms/z/zakat.asp>.

- Mateen, M. Z. (2022). *4 Pillars of Waqf | Walking Through Waqf - Part 2 | Global Sadaqah Blog*. GlobalSadaqah.Com Blog. Retrieved January 19, 2022, from <https://www.globalsadaqah.com/blog/waqf-4pillars-conditions/>.
- Mohsin, M. I. A., Dafterdar, H., Cizakca, M., Alhabshi, S. O., Razak, S. H. A., Sadr, S. K., Anwar, T., & Obaidullah, M. (2016). *Financing the Development of Old Waqf Properties: Classical Principles and Innovative Practices around the World (Palgrave Studies in Islamic Banking, Finance, and Economics)* (1st ed. 2016 ed.). Palgrave Macmillan.
- Najeeb, S. F., & Lahsasna, A. (2013). Qarḍ Ḥasan: its Shari'ah Rules and Applications in Islamic Finance. *Journal of Islamic Business and Management*, 3(1), 15–34. <https://doi.org/10.12816/0004986>
- Ng, A. (2018). Islamic Wealth Management: Theory and Practice Edited by Mohamed Ariff and Shamsheer Mohamad. *Journal of Islamic Studies*, 30(2), 293–297. <https://doi.org/10.1093/jis/ety047>
- Sumai, S., Mutmainnah, A. N., Nurhamdah, & Arsyad, M. (2019). Role of zakat in poverty reduction and food security. *IOP Conference Series: Earth and Environmental Science*, 343(1), 012254. <https://doi.org/10.1088/1755-1315/343/1/012254>
- Suprayitno, E., Aslam, M., & Harun, A. (2017). Zakat and SDGs: Impact Zakat on Human Development in the Five States of Malaysia. *International Journal of Zakat*, 2(1), 61–69. <https://doi.org/10.37706/ijaz.v2i1.15>.
- Zain, N. R. M., & Ali, E. R. A. E. (2017). An Analysis on Islamic Social Finance for Protection and Preservation of Maqāṣid Al-Shari'ah. *Journal of Islamic Finance*, 6 (Special Issue), 133–141. <https://doi.org/10.12816/0047345>