

The Role of Islamic Social Finance in Achieving the Objectives of Sustainable Development Goals

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Abstract

The increased development challenges have been spreading everywhere and limiting the welfare of humanity on the earth around the globe. However, since 2015 the whole world has been moving towards a new global development agenda. This agenda is assumed to replace the millennium development goals (MDGs) that lapsed a few years ago (Atah, Nasr & Mohammed, 2018). This new global development plan aims to achieve 17 sustainable development goals (SDGs) by 2030. The recent inclination of international efforts has been directed towards utilizing all resources to create a sustainable world in which the present generation can meet their needs while preserving the rights of future generations. In other words, sustainable development requires economic growth that helps remove all the development challenges such as poverty, malnutrition, hunger, unemployment, illiteracy, etc. Alike, the complexity and fast growth of the social and environmental challenges that are treating human life economically and socially, communities are becoming more and more vulnerable to socio-economic issues and incapable of tackling them effectively.

Moreover, since creating the development plan in 2015, countries worldwide are joining their efforts with combined bodies or agencies to achieve socio-economic sustainability and development by the year 2030. Recently, Islamic Social Finance has been underlined due to its financial inclusion role as one of the main drivers of sustainable development among academicians and specialists. Then, this paper aims to explore the main perspectives in which Islamic Social Finance plays a role in achieving SDGs. In this regard, the article discusses three main Islamic Social Finance tools: Zakat, Awqaf, and Infaq, and their potential to cover the global SDGs' investment gap.

Keywords: Islamic Social finance, SDGs, *Zakat*, *Awqaf*, *Infaq*

1. Introduction

Reaching sustainable development and maintaining sustainable life in its broadest sense has become one of the top priorities in every community, developed and developing economies alike. Thus, the concept of sustainable development looks like a concept "*that incorporates meeting the present needs without compromising the ability of future generations to meet their own needs*" (Sadiq & Mushtaq, 2015). However, observations have indicated that countries are becoming more vulnerable to many socio-economic issues with the rapid rise of social and environmental challenges and cannot fight against them or minimize their impacts (Jouti, 2019). In this concern, since the year 2015, a new global development agenda was introduced by the world leaders to replace the previous development goals known as "the millennium development goals (MDGs)" (Atah, Nasr & Mohammed, 2018).

The new global sustainable development pointed out 17 goals and assumed that realizing those goals would improve socio-economic issues like education, water, and public health, fight injustice and inequalities, and eradicate poverty and hunger (Abduh, 2019). Moreover, it is imperative to notice that funds needed to achieve sustainable development goals are substantial and are impossible by governments alone. In this regard, Sadiq & Mushtaq (2015) argue that even if all the governments were to meet their commitments towards achieving sustainable development goals, which alone would not be sufficient. Thus, involving other social initiative approaches has become a fundamental need to achieve sustainable development goals rather than luxury implementation in communities.

Islamic social finance comprises tools or instruments that were designed for this purpose. *Zakat*, *Awqaf*, and *Infaq* have historically constructed models in Islamic economics to provide public goods and social welfare. Based on this fact, the researcher believes that the comprehensive implementation of those, as mentioned earlier, Islamic social finance tools in their modern context can reveal the role of Islamic social finance in achieving SDGs. This issue, as discussed above, will be further elaborated throughout the discussion of this paper by referring to previous literature and some specific case studies. The rest of the article comprises three main sections. The first one is a short review of the literature on the topic, the second section sheds light on *Zakat*, *Awqaf*, and *Infaq* for SDGs, and the last section gives some concluding remarks.

2. Literature review

Islamic social finance is one of the most popular topics among academicians while finding a solution to contemporary socio-economic issues. Thus, many studies are found relevant and valuable to this paper. In this concern, this section is devoted to quickly review some academic works that are directly or partially related to the subject matter of this study.

A. Literature related to *Zakat*.

Examining the role of *Zakat* towards achieving sustainable development Goals, Atah, Nasr & Mohammed (2018) conducted a case study in Northern Nigeria to address the development challenges in the area and explore the tremendous potentialities of *Zakat*. The study finds that *Zakat* can solve socio-economic problems such as poverty, hunger, and inequality

through wealth circulation among economic units through a qualitative research method. Similarly, Zakat can promote sustainable agriculture, financial inclusion, and quality of an educational system, healthcare, and public welfare. Thus, the study concludes by emphasizing modern communication tools such as the "e-community-based platform" to ensure the zakat fund's effectiveness in reaching sustainable development goals.

On the same token, Shaikh & Ismail (2017) also examine the potentiality of *zakat* institutions in their study titled "Role of *Zakat* in Sustainable Development Goals." This study tries to underline the potential of *the zakat* institution in meeting development challenges in the Muslim World by interlinking *Zakat* with the *Maqasid Shari'ah* (objectives of Islamic law). After discussing the economic potential and effects of *Zakat*, the study concludes that *Zakat* can effectively help in achieving sustainable development in many fields. Hence the research suggests that *Zakat* can play a sustainable role in poverty eradication, ending hunger, achieving global healthcare, increasing public goods, and welfare, improving quality of education, boosting economic growth, and reducing income inequality.

Moving forward, in looking for practical tools in achieving sustainable development goals, Noor & Pickup (2017) conducted their study to explore the role of *zakat* institutions in supporting sustainability and sustainable development goals. This study indicates few differences between *Zakat* and SDGs. The main one is that *Zakat* is one of the five pillars of Islam and SDGs have no spiritual direction. Despite this difference, the study argues that there is considerable overlap and interest among *zakat* institutions in Muslim World to pursue sustainable development goals. On the other hand, the study asserts that SDGs reflect Islamic values achieved by implementing the Islamic principles of *Zakat* effectively.

Zakat institution is also a poverty alleviation strategy and tool for achieving SDGs. In this direction, Olanipekun, Brimah & Sanusi (2015) undertook their study under the title "*The Role of Zakat as a Poverty Alleviation Strategy and a Tool for Sustainable Development: Insights from the Perspectives of the Holy Prophet (PBUH)*." After analyzing relevant *Quranic* and Prophetic injunctions to *zakat* institutions in Islam, the study concludes that *Zakat* is an alternative strategy for sustainable development foundations and *Hayat tayibah* (the good life).

Alike, *Zakat* is used to ensure social welfare and other Islamic values in the societies. For this reason, the study that Ibrahim did (2015), titled "The Role of *Zakat* in Establishing Social Welfare and Economic Sustainability," examines the role of *Zakat* in creating a collective social security scheme for mutual help among Muslim's societies. The study argues that *Zakat* has its objectives as established by the *Quran* and the *Sunnah* that, once fulfilled, could develop social welfare and economic sustainability.

In short, the *zakat* institution plays a vital role in achieving sustainable development goals in one way or another. As noticed before, it contributes to removing several development challenges that could hinder sustainable development and *Hayat tayibah* (the good life) in societies. Like *Zakat*, the *waqf* system also steps in the same direction. Therefore some literature related to the *waqf* system follow this sub-section.

B. Literature related to *waqf* system

The Waqf system is one of the Islamic tools that has historically helped achieve public goods and social welfare. Nevertheless, this institution continues to attract the attention of both academicians and practitioners while addressing any socio-economic problem. Thus, many academic papers were valuable in underlining the role of the *waqf* system in achieving SDGs, and this sub-section points out a few of them.

Concerning the contribution of *the waqf* to the efforts in achieving SDGs, there is a conceptual study done by Abdullah (2018) to provide a framework for *awqaf* to continue its convergence with some of the main goals of the SDGs that are as well consistent with *Maqasid al-shariah* (the main objectives of Islamic law). The study finds that the majority of the 17 goals within the global SDGs overlap with the *Maqasid Shari'ah* (the primary purposes of Islamic law), therefore suitable scope could be made available for the stakeholders of *awqaf* to introduce *waqf*-based developmental programs that are in line with SDGs. Likewise, the study asserts that *awqaf* globally can serve the Muslim majority countries financially. That, in return, would contribute to the achievement of urgent and *Maqasid*-oriented SDGs.

Some writers also highlighted the governance issues related to the *waqf* system to ensure its contribution to SDG achievement. Among them, the study of Latif, Din & Mustapha (2018) titled "The Role of Good *Waqf* Governance in Achieving Sustainable Development" was found useful. They conduct their study intending to grasp the governance issues related *waqf* system to increase its effectiveness in providing public goods and social welfare. This study focuses on the context of Malaysia using an experimental research design through interviews on the responsible authority for implementing the *waqf* governance in the state of Kelantan (Malaysia). The study concludes that good *waqf* governance plays a vital role in achieving SDGs.

Another study conducted by Ahmad (2015), titled "Role of *Waqf* in Sustainable Economic Development and Poverty Alleviation: Bangladesh Perspective," assesses the role of *waqf* in realizing sustainable economic development and eradicating poverty in the context of Bangladesh. After discussing many *waqf* models, the study concludes that *waqf* can contribute to poverty eradication in Bangladesh, which the government could not do. Besides that, the research suggests the renewal of the *waqf* act to make it compatible with the new context of the country to allow sustainable economic development.

The *waqf* system also has proved the conventional approach's failure in economic growth, poverty alleviation programs, just distribution of income, and adequate provision of public goods and social welfare. In this concern, Yakubu & Aziz (2019) study the role of *waqf* in economic sustainability and eradication of poverty in their paper titled "The Role of *Waqf* in Economic Sustainability and Poverty Reduction." The study finds that *waqf* can be used as an alternative instrument to enhance social welfare, solve income inequality issues, minimize poverty rate, close the financial gap between the society members and relieve poor people from financial burden. Similarly, the study finds a need to consider and develop a *waqf* system to reach a sustainable solution in maintaining economic development.

Besides other factors, a sound educational system is crucial in achieving sustainable development, economic or social. For this reason, among many others, *waqf* has been employed to improve the quality of education in several societies. Likewise, Hasan, Hassan & Rashid (2019), like many other studies, explore the role of *waqf* institutions in improving the educational system in developing countries. After analyzing annual reports for fourteen years through multiple regression analysis, the study asserts that *waqf* has a significant financial positive impact on educational development in Malaysia. Similarly, this study indicates that *waqf* plays a vital role in facilitating the academic demands of vulnerable students by diminishing the financial burden that can put restrictions on their progress.

C. Literature related to *Infaq*

Infaq also was utilized as an alternative tool in reducing developmental challenges in the Muslim World. This sub-section is devoted to providing a quick review of some literature that emphasizes this context. Poverty is one of the biggest challenges facing humanity around the world. However, this can be reduced or even totally removed in Muslim societies through spiritual practices among Muslims based on *Infaq* (voluntary charity giving) (Malik, Hussain, Shirazi & Khan, 1994). Similarly, *Infaq* has the role of helping poor people and making them self-reliant to become more responsible for society.

In short, *Infaq* is one of the most Islamic social finance tools widely used in the literature, like *Zakat* and *awqaf*. Therefore, the literature above would be applicable in the case of *Infaq* also because both *Zakat* and *awqaf* are part of *Infaq*.

3. Overview of Islamic Social Finance

Islamic Social Finance is a financial sector that is rooted in societies since the first centuries of Islamic faith. It was a financial tool adopted by Muslim communities to provide public goods or services and to ensure that all society members are given equal opportunity in accessing natural resources. In other words, the financial system of Muslim societies in the early eras strived to include everybody in the economic activities through the circulation of wealth and natural resources among society members. Thus, the key objective of Islamic Social Finance could be summarized in the concept of *Infaq* (spending) in its broad meaning. In figure 1, the key tools of Islamic Social Finance that emerge from the spirit and concept of *Infaq* (spending) are sorted based on their legacy level according to Shari'ah (Islamic law).

Figure 1: Flow of Islamic Social Finance

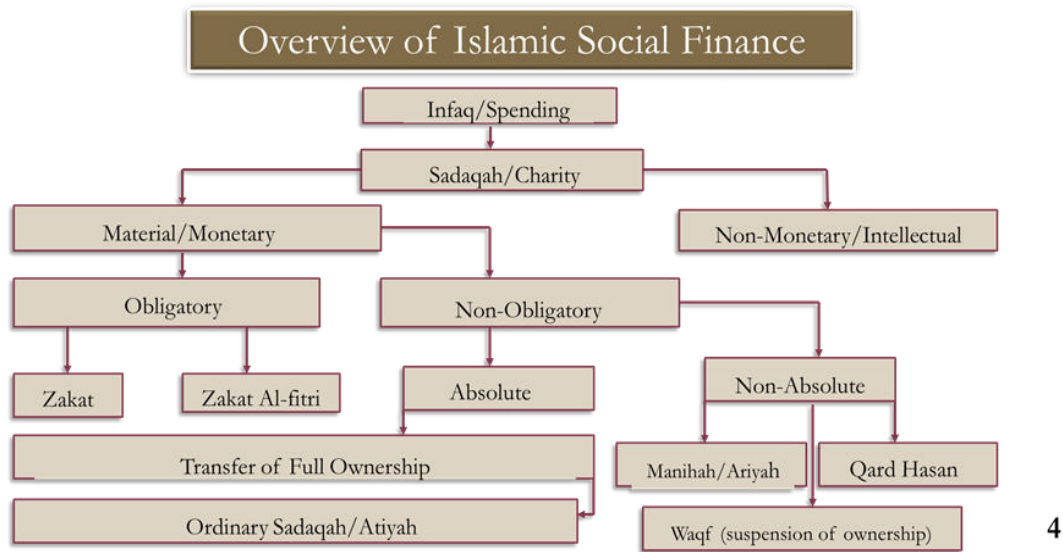


Figure 1 depicts the philosophical procedure of the key institutions of Islamic Social Finance that is mainly based on the concept of Infaq (spending). Historically, this Infaq was levied in Muslim society through the institution of Sadaqah (charity). Moreover, in the primary sources of Islamic law (Quran and Sunnah), Sadaqah can either be material (monetary) or non-monetary (intellectual). While the former (non-monetary) aspect of Sadaqah is well addressed elsewhere in the academic work, the later (monetary) one is the cornerstone of the present paper. Thus, the monetary aspect of Sadaqah could be obligatory such as Zakat, Zakat Al-fitri, Ushr, Khums, Kharaj and Jizyah. It could also be non-obligatory including absolute and non-absolute dimensions of charitable activities. Absolute non-obligatory Sadaqah involves transfer of full ownership through ordinary Sadaqah (Atiyah), whereas, the non-absolute one involves institutions such as Manihah (Ariyah), Qard Hasan or Waqf. In short, figure 1 gives an insight on the philosophical structure and the operational framework of the key institutions of Islamic Social Finance.

4. Role of Islamic Social Finance Tools in Achieving SDGs

Islamic social comprises tools that play a vital role in achieving SDGs. They are like *Zakat*, *awqaf* (plural of *waqf*), and *Infaq* (literally means spending). In this section, these three institutions are briefly elaborated, emphasizing their contribution to the global SDGs.

1) The Role of *Zakat* in Achieving SDGs

Zakat is an Arabic terminology obtained from the root of the "zakat" in the Arabic language revealing the meaning of purification or increase. Being one of the five pillars of Islam, *Zakat* is the main instrument in Islamic economics and, more particularly, in Islamic social finance that is used and can increase public goods and social welfare of societies (Triyowati, Masnita & CA, 2018). In line with the literal meaning of *Zakat*, a Muslim has to purify his wealth by paying *Zakat*. As long as they own the required threshold (*nisab*), that is to say, a minimum limit related to the value of their wealth or property is to be subject to *zakat* payment in Islam. So, Sustainable Development Goals (SDGs) as a successor to the Millennium Development Goals (MDGs) were set as a global new plan to achieve 17 main goals by 2030. Besides this, the institution of *Zakat* is instrumental in attaining at least seven goals out of the SDGs (Shaikh, & Ismail, 2017 and Atah, Nasr & Mohammed, 2018). The target goals are "reducing poverty, hunger, unemployment, inequality, promoting peaceful and inclusive societies, ensuring healthy lives, promoting well-being, and preventing the environment from degradation."

Moving forwards, the first SDGs is to have no poverty by the end of 2030, and the poverty rate is mainly in Muslim majority countries. Thus, *Zakat* is paid by Muslims only; therefore, if *Zakat* is collected and managed effectively could pull out the poverty from societies. Because in the system of *Zakat*, two main situations appear here, one is giving away a part of their wealth, and another one is receiving this gift to meet his basic needs. Moreover, between the two, a gap could be determined by the fact that the giver or *muzaki*, the rich person, owns a minimum limit of wealth known as *nisab* that is a surplus above their basic needs. On the other hand, the receiver, the poor person, lacks the minimum limit of wealth that they require to meet the necessities. Then, the distinguishing difference between these two classes helps transfer or redistribute wealth to the people in societies.

According to Shaikh and Ismail (2017), *Zakat* could be effectively and consistently achieve the redistribution objectives because it includes wealth that does not fluctuate too much compared to the income in the business cycles. In another way, *Zakat* has a wider base since it is levied on both wealth and income. Therefore *Zakat* is seen to have an intrinsic structure to reach the right goals in terms of *Zakat* collection and distribution (Adhiatma & Fachrunnisa, 2021). Based on historical incidences and experiences, redistribution of wealth plays a vital role in poverty alleviation. In this concern, Shaikh and Ismail (2017) provide a statistical study indicating how powerful wealth redistribution is in the poverty alleviation process. According to them, only "8 individual persons have as much wealth as bottom 50% of the entire global population. Their combined wealth is \$426.2 billion as of end-2016. As per World Bank, 767

million people were below the poverty line of \$1.90 per day. It means that poverty gap is \$531.9 billion ($1.90 \times 767,000,000 \times 365$) per year. Comparing the wealth owned by only the richest eight persons (\$426.2 billion) and the total global poverty gap funding requirement (\$531.9 billion)". Hence, *Zakat* being one of the main tools for wealth redistribution contributes positively to poverty reduction.

The second sustainable development goal intended by the end of 2030 is to realize zero hunger globally. This goal is strongly related to the first one; therefore, alleviating poverty would help achieve this later. According to Atah, Nasr & Mohammed (2018), the institution of *Zakat* can ensure food security for poor people through poverty alleviation programs because *Zakat* assures redistribution of wealth that could eliminate poverty which is the basis of hunger in the world. Nevertheless, there is a causal relationship between poverty and hunger, as was confirmed by (Gundogdu 2019).

The third sustainable development goal is about achieving a healthy life and promoting social well-being. To maintain his health, one needs to have access to food. Therefore scientists always insist that one has a food intake equal to his minimum calorie requirement (Atah, Nasr & Mohammed, 2018). Failing to do so would expose him to energy and nutrient weaknesses through inadequate diet or any other reason. Thus, not having enough food could expose the poor person to many health problems and vulnerable to diseases.

Furthermore, *zakat* payment can help in the improvement of the healthcare and well-being of poor people. Thus there is a need for eliminating poverty and hunger from societies. Also, if poor people receive their share of wealth through a transfer of *zakat* funds to them, they would be able to secure their food and medication intake, and their economic well-being would increase as well (ibid).

The fourth sustainable development goal intended *through the use of Zakat* is ensuring the quality of education. Many poor people lack skills that are essential requirements for boosting up their human capital. Education has become more costly; more impoverished people are lagging and become more vulnerable to poverty. Moreover, if *Zakat* is transferred to them as instructed by the Holy *Quran*, they would afford to educate themselves and their relatives and improve their economic well-being. Despite that, education is indispensable to enhance human capital development by granting them the necessary skills and qualifications needed in the labor market (Adedeji & Campbell, 2013).

The fifth sustainable development goal intended through *Zakat* is gender equality. *Zakat* is an entirely neutral institution to gender; therefore, it could be paid and received by both women and men based on the Islamic injunctions *on Zakat* that do not privilege one gender over another if being equal in their financial circumstance. In this regard, *Zakat* is also payable to the women or any institution that works for well-being projects related to women such as training, building maternities, schools for girls, and so on (Shaikh & Ismail, 2017). Sustainable development goal number six intended via *zakat* institution is decent work and economic growth. To be self-reliant and take care of himself and his relatives, one needs to get a decent job.

Moreover, getting decent work and economic opportunities are crucial in reaching a sustainable poverty alleviation level and guaranteeing the socio-economic movement's growth. Thus, in one way or another, *zakat* institutions could increase the productivity level of poor people through skills enhancement programs and the like. Moreover, besides contributing to poverty reduction, *Zakat* can also play a vital role in economic growth by increasing the income of poor people, improving their consumption (ibid). Accordingly, *zakat* funds could be used to finance education and healthcare programs to boost the human capital of poor people, allowing them to be more productive in societies and then contribute to economic growth.

Sustainable development goal number seven, targeted by *zakat* institution, is preventing the environment from degradation. The backdrop serves several humanitarian needs in many rural areas, including energy, firewood for cooking, etc. According to Atah, Nasr & Mohammed (2018), only in the state of Kano in Nigeria, around 65% of a household depend on firewood for cooking purposes. Meanwhile, only approximately 35% could afford to buy gas for cooking. Because buying gas requires families to spend more money than using firewood. However, the consequence of using firewood appears in the extensive degradation caused to the environment. The protection of the environment requires alternative approaches in society for poor people while cooking their food. Hence, the required payment of *zakat* funds to poor people would increase their purchasing power. In other words, *zakat* funds create income for poor people and enable them to purchase gas for cooking activities instead of firewood or charcoal.

Zakat has a strong relation to the SDGs; at least three *zakat* recipients are directly related to SDGs. They include *Al-Fuqara* (the poor those living without livelihood means) and *Al Masakin* (the needy who cannot meet their basic needs). *Fi-Sabilillah* (a comprehensive concept that means in *Allah's* path and struggling for arighteous cause, like expenditure to promote Islam and all charitable purposes) can also relate to the provision of basic needs such as health and clean water and sanitation programs). *Zakat* is mainly a tool that has potential importance to addressing extreme poverty and hunger in Muslim-majority countries, which is a direct aim of SDGs. For instance, in Indonesia, the larger Muslim-majority country, *Zakat* is formally collected and distributed through the state *zakat* authority (BAZNAS). BAZNAS institution can contribute up to \$32 billion yearly, equivalent to 3.4 percent of Indonesian GDP in 2016 (Noor & Pickup, 2017).

As a formal institution, BAZNAS, through the *zakat* institutions in Indonesia, introduces programs that always address five main fields: social sector, education, economic, health, and *anda'wah* (ibid). Increasing *zakat* contribution through this formal way can empower the country and alleviate poverty and inequality and advocate for SDGs. In Indonesia's case, *Zakat* operates positively to achieve the SDGs in almost every country in the Muslim world. In other words, the objectives of *Zakat* are in line with those of the SDGs. *Zakat* could realize around 11 out of 17 goals of SDGs.

2) The Role of *Awqaf* in Achieving SDGs

Waqf (plural *awqaf*) is the detention of poverty from the utilization of its owner (Abduh, 2019). Technically, *waqf* could be keeping a property from any consumption of its original owner. In contrast, the benefits derived from that property are for the needy and poor people keeping the capital in the same form (Yalawae, Tahir, UDM & Campus, 2003). *Waqfis* the backbone of the Islamic economic system, and precisely a principal instrument of Islamic social finance plays a significant role in achieving SDGs. Nevertheless, *waqf* is a *Shari'ah*-based non-profit institution that functions in conformity with *Maqasid Shari'ah* (higher objectives of Islamic law) (Abdullah, 2018). Since many commonalities exist between SDGs and *Maqasid*-based development, one can easily argue that *waqf* institution is the intermediation in objectifying mutual goals of SDGs and *Maqasid*-based development plan at the same time. Hence *waqf* is an indispensable instrument in the agenda of SDGs, particularly in Muslim majority countries, whereby the asset of the global *waqf* is approximately \$1 trillion (ibid).

It follows that the nature of *waqf* is directly developmental since its early applications in the history of Islam. In addition to the poverty alleviation projects, *waqf* has been used historically for other purposes such as health care, education and infrastructure development, and others (ibid). Historical practices and evidence have proven the significant role of *waqf* in improving the welfare of *Ummah*. Besides, *waqf* has served as an Islamic tool for socio-economic development since the lifetime of the Holy Prophet Muhammad (PBUH). The famous *hadith* about the *waqf* of Umar Ibn Khattab (r.a) is in this concern. The incident is very well-known in the history of Islam, and it states that Umar Ibn Khattab found land in *Khaybar* and then went to the Prophet (PBUH) and said: "*Messenger of Allah! I got land in Khaibar. I never got a property more precious to me than this. What do you advise me? He said: "If you want, you can make on (bequeath) it, and give it as sadaqah (charity); provided that it should not be sold, bought, given as a gift or inherited."* Ibn Umar, the narrator of the incident, said, "*Then Omar gave it as charity for the poor, relatives, slaves, wayfarers, and guests.*" (Bukhari: 2737).

This *hadith* about Umar and others like the *waqf* of Uthman Ibn Affan (r.a) has underlined *waqf*'s role in improving socio-economic development and increasing the social welfare of societies. Moreover, *waqf* has preceded the new global plan of 2030 in achieving sustainable development in many contexts of humanity. According to Shatzmiller (2001), a long time before the inception of both MDGs and SDGs, *waqf* has historically strived to achieve the underlined goals of Muslim societies informally. One good example in this context is the Ottoman practices of the *waqf* system to make it even more effective than the government budget. Hence, this extensive use of *waqf* by the Ottomans allow them to succeed in poverty alleviation for about six centuries (Sedar, 2015) widely. However, according to Bulut and Korkut (2019), the *waqf* system expanded in the Ottoman and was widespread in societies until its uses surpassed human services to include animals, injured birds, and sick animals.

Furthermore, the *waqf* institution has shown its usefulness and importance in every single field of human needs. This view was further emphasized by Ziyaviddinova & Sagdullaevich

(2020) as they assert that *waqf* plays a vital role in economic growth and social life. Therefore it serves as a network, penetrated all sectors, including social activities and the socio-economic sector. Hence, they summarized the contributions of *waqf* in the sector of economic growth in a few ways that are firmly in line with the SDGs, and these are: “1. Poverty alleviation/reduction, 2. enhancing economic progress, 3. Reduction of government expenditure, 4. It is restoring income distribution, 5, preventing deficit financing and decreasing interest rate, 6.social welfare, 7. *Waqf* creates employment opportunities, 8.Funding for small businesses, 9. Sustainable development projects 10. *Waqf* creates skills and entrepreneurship centers, 11. Improve agricultural farming 12. Generates more income to government”.

Besides, *waqf* is a social, financial tool that works towards achieving sustainable economic development and effective poverty alleviation programs and realizing other goals of SDGs directly or indirectly. The institution of *waqf* operates by generating funds from cashdonations, microcredit, fix property, crowdfunding, and other fundraising methods. After collecting funds from different sources of financing, *waqf* institution uses these funds to achieve its goals that are in line with the SDGs. For instance, the funds could provide training programs and give financial support to entrepreneurs that would create job opportunities or achieve any other SDGs in society.

Figure 1: Waqf flow for SDGs



Source: self-constructed

Figure 2.depicts *waqf* flow through four main components: the *waqf* institution, source of funding, and *waqf* goals that achieve the SDGs. As shown in the figure above, *waqf* institution receives cash donations from voluntary donors through microcredit institutions, crowdfunding platforms, or other fundraising methods. After that, these funds fulfill the *waqf* goals: training programs, providing financial support to SMEs, or any other SDGs. Moreover, comprehensive implementation of this flow leads to poverty alleviation, economic sustainability, creation of jobs, reduce inequality in wealth utilization, increases educational facilities in communities, and so on. Hence, all these factors and like are indispensable in the achievement of SDGs.

Muslim civilization flourished in many socio-economic fields and has recorded a brilliant history in humanitarian relief. Since the first centuries of Islam up to the Ottomans, fellow Muslims have comprehensively implemented the *waqf* system for the community's welfare. In this context,*waqf* has historically contributed to achieving the goals listed in the global plan of

2030. Despite that fact, it is asserted here that all the SDGs could be achieved using *the waqf* system. Relevant historical incidences proved that in the utilization of *waqf* in Muslim societies. In short, academic works and practices are more than enough in exploring the role of *waqf* in achieving SDGs.

3) The Role of *Infaq* in Achieving SDGs

Infaq is one of the basic terms used in both the Holy *Quran* and the tradition of Prophet Mohammad (PBUH). The term *Infaq* occurred in the Holy *Quran* at almost sixty different places. Prophet Mohammad used it on various occasions to refer to spiritual expenditure in the way of *Allah* (Aziz, Mahmud & Karim, 2008). The Islamic consideration of *Infaq* guided by injunctions of *Shari'ah* reveals its role that could be summarized in the equitable redistribution of wealth, provision of needs of individuals, and social welfare. *Infaq* is of two types, obligatory and voluntary. The former includes *Zakat*, *Khums*, *Usher*, *Kharaj*, *Jizyah*, etc., while the latter comprises *Waqf*, *Wasiyyah*, *Sadaqah*, and *Qarad Hasan*(ibid).

As for the obligatory *Infaq*, it is imposed on the payer without giving him an option to ignore its payment, and it is out of the investigation of this section. In contrast, *Infaq* is considered voluntary whenever its amount is left to the payer's consciousness, and he is given the option of paying or ignoring it. The word *Infaq* economically is about spending any property beyond the need of its owner. This meaning is strongly emphasized in the Holy *Quran* as *Allah*: [These people ask you, how much, we will be spending in the way of *Allah*? Said everything beyond your requirements], (2:219). Thus, this section is dedicated to exploring its role in achieving SDGs, as noted earlier in this paper.

Despite efforts provided by governments or public sectors, there will remain gaps in community members' financial abilities. Therefore, the role of the private sector is quite significant to provide basic facilities to everyone in the community, such as education, healthcare, and others. If the SDGs have to be achieved, these are some fundamental problems that should be solved first. As far as the Holy *Quran* is concerned, it provides comprehensive solutions to these problems through *the Infaq* institution. In Islam, *Infaq* is a right assigned by *Allah* from the rich people to the poor ones. Thus, it cannot be considered just a donation in the ordinary sense as mentioned in the Holy *Quran*: [And from their properties was [given] the right of the [needy] petitioner and the deprived], (51:19).

Islam sees *Infaq* as a tool for maintaining economic harmony within the community. It helps the poor and needy reach their basic needs to become socially responsible citizens (Sohail, Hossain & Shirazi, 1994). Likewise, this Islamic consideration of the concept of *Infaq* is reflected in the context of sustainable development. According to the World Bank Group, "*sustainable development recognizes that growth must be inclusive and environmentally sound to reduce poverty and build shared prosperity for today's population, and to continue to meet the needs of future generations*" (World Bank Group, 2016). From this statement, it could be seen that sustainable development comprises three main pillars, which are economic growth, environmental soundness, and social inclusiveness. Moreover, *Infaq* aims at developing

sustainable human development trends in communities by providing them basic facilities such as educating them to become more productive in participating in social activities and economic life. In other words, only sustainable human development can achieve economic growth, increase equitability in communities, preserve the environment and promote the well-being of people (Cusack, 2019).

Yet, *Infaq* has the potential to eradicate poverty and empower poor people to become socially responsible. This was proven with some empirical studies, such as the study of Sohail, Hossain & Shirazi (1994) as they studied the effect of *Infaq* on poverty in Pakistan. Their analysis showed that the poverty level is too low in areas where *Infaq* is practiced and not practiced. Besides the significant role of *Infaq* in poverty eradication, it is also effective in achieving the pillars mentioned above of sustainable development (economic growth, environmental soundness, and social inclusiveness) in one way or another. Muslims have worked to realize these three pillars centuries ago through the concept of *Infaq* and reached satisfactory results.

The notion of brotherhood and *Ihsan* make every Muslim feel his responsibility towards society and his fellow Muslim brothers. Therefore they are ready to help others in all aspects within their capacity through *Infaq*. This increased feeling among community members is very likely to reach SDGs. The golden power of Muslim Ummah can be restored like in the time of Caliph Umar- bin Abdul Aziz in which no poor is available to give him *Zakat* (ibid). This would be possible if only the institution of *Infaq* is well developed with its genuine spirit as it was implemented in the first centuries of Islam. In short, sustainable economic development always requires *Infaq* institutions besides other Islamic social finance institutions like *Zakat* and *waqf* to balance the haves and have-nots in the communities. Without minimizing the available gap between the two sides, there could never be sustainability in economic life.

5. Conclusion

This paper has concluded that the role of Islamic social finance is indispensable for the achievement of SDGs. It was reflected throughout the discussion of different sections of the article. Firstly, it was proven that the institution of *Zakat* shows its effectiveness in achieving at least seven goals among the global agenda of SDGs. Secondly, the institution of *waqf* has preceded this global plan as it has historically helped and is still being used to provide the listed goals in the SDGs and even more than those in Muslim communities. The case of the Ottomans was cited in this regard as a good reference on the ground. Finally, *Infaq* can maintain sustainable human development and other factors of SDGs when communities achieve its three pillars. As *Infaq* could be an effective tool to achieve SDGs if it is developed with its original spirit as recommended by the Holy *Quran* and the tradition of Prophet Mohammad (PBUH).

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