CLASSICAL ZAKAT MODELLING FOR THE BLOCKCHAIN AGE INSPIRATION FROM UMAR BIN ABDUL AZIZ
By Dr Ziyaad Mahomed
EDITOR'S NOTE
by Assoc Prof Dr Baharom

In Person:
CLASSICAL ZAKAT MODELLING FOR THE BLOCKCHAIN AGE INSPIRATION FROM UMAR BIN ABDUL AZIZ
By Dr Ziyaad Mahomed
(Assistant Professor & Head of Islamic Social Finance, INCEIF)

Research Highlight:
ISLAMIC FINANCE FOR FINANCIAL INCLUSION IN MARAWI
By Mr Ezamshah Ismail
(Senior Teaching Fellow, INCEIF)

RCIF:
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by Asmah Nabila Jamaluddin
(Executive, Social Finance, INCEIF)
Assalamualaikum wbt,

Alhamdulillah! Praises to Allah, for all the blessings that He has given. We are moving into year end. This is the final issue of IFHUB for year 2018 with a theme of “Social Finance”. We are honoured to have Dr Ziyaad Mahomed to write on Classical Zakat Modelling for the Blockchain Age Inspiration from Umar bin Abdul Aziz, under In Person Column. We also have our dedicated Senior Teaching Fellow, Mr Ezamshah Ismail who writes on Islamic Finance for Financial Inclusion in Marawi. This article is worth reading as it is written from his own personal experience during his visit to Marawi. Research Club for Islamic Finance in INCEIF have been actively encouraging fellow students to write and participate in scholarly articles. IF HUB is one of the platform that can be used to showcase their findings as well as thoughts. In this issue, we have two articles written by our PhD candidates which are closely related to our theme. Finally, under Aspirations column, we are proud to have Sis Asma Nabila to share her thoughts on charity in her article titled Who Should We Give the Violin to?

Last but not least my gratitude for all the players who have played a key role in making this issue of IF HUB a reality, both directly and indirectly. We would also like to thank the readers for the feedback provided. Till we met again in 2019, InsyaAllah!

Feedbacks and comments are most welcome. Happy reading and as usual, your feedbacks and comments are most welcome as we strive to make IF HUB a pleasant and good read for all.

Assoc. Prof. Dr Baharom Abdul Hamid
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Zakat as a Religious Obligation

As the third pillar of Islam, zakat has a 1,400-year-old history in reducing inequality and redistributing wealth to at least, the deserving Qur’anic recipients (Al Qur’an, 9:60). Understood as an obligatory command, zakat appears no less than 58 times in the primary source of Islamic law, 26 times along with prayer, for instance: “…so establish Salat and give Zakat, and hold fast to Allah…” (Al-Qur’an 22:78). All Muslims who meet a minimum threshold of zakatable assets (nisab) are required to pay zakat annually.

The oft-repeated conundrum however, is if the Zakat institution was so deeply entrenched in the Islamic law, why then do so many continue to suffer from poverty and malnutrition in even Muslim majority nations? According to a report by Pew Research Centre (2011), Muslim-majority countries are amongst the poorest in the world, with a median GDP per capita (after adjusting for purchasing power parity) of just

\[1 \text{ Zakatable assets include cash money, livestock, business, shares, food and commodities, gold, silver, etc.}\]
$1,200 in sub-Saharan Africa, compared to more developed countries at $33,700 per capita. This is in stark contrast to an era when the Islamic empire had so little poverty that zakat recipients could not be found (A Sallabi, 1999, p574). How can this be achieved once again? Is zakat a corrective method for poverty reduction or is a positive approach to more just wealth distribution? Perhaps the model of Umar bin Abdul Aziz will shed some light on these issues.

The Model of Umar bin Abdul Aziz (Umar II)

Research indicates that the 2-year reign of Caliph Umar bin Abdul Aziz in 99th AH provides valuable lessons for the success of zakat that are still applicable today. Al Sallabi (1999) notes the Caliph's model for zakat collection and disbursement in three prominent areas that include building and maintaining trust, local distribution of zakat and the use of zakat funds for the enhancement of productive capacity.

i  **Building and maintaining trust**

The contemporary imperative of governance, structure, transparency and disclosure become significant criteria in achieving and maintaining the trust of zakat payers. The misuse of zakat funds is not new. It preceded the time of Caliph Umar II and is prevalent as much in modern times. Actual and potential zakat funds are often compared, and unscrupulous organisations may even enter the zakat sector with sinister objectives. Zakat (Pew Research Centre, 2011) payers have become ever more vigilant and request proof of distribution to deserving and eligible recipients.

ii  **Local distribution of Zakat**

Zakat distribution from payers in specific localities are meant for these areas first. Sending these funds to other regions and areas when poverty exists locally may cause enmity and conflict as inequality is only exacerbated and encouraged. Identification and distribution to locally eligible recipients are further supported by the fact that communities are well-aware of deserving parties within their own areas. This allows for more efficient and better impacting distribution, achieving a primary objective of zakat: improving the socio-economic position of the community, thereby reducing inequality and poverty. Through advanced technology such as smart-contracts on a block-chain however, the world becomes a village, and will sooner or later, make every area local.

iii  **Use of Zakat funds for the enhancement of productive capacity**

The use of zakat funds is often a bone of contention, even though the Qur’an explicitly identifies them. Oft-repeated enquiries to Scholars include the validity of use of zakat for investment purposes and its placement in term deposits, its use in construction of hospitals and other community service-oriented institutions, its use in education, its use in infrastructure investment and its distribution to non-Muslims. Using Maslow’s theory of human motivation (1943) or a more established psyche of human need, the Maqasid al Shariah (Objectives of the Shariah), basic needs such as food security and safety, zakat distribution becomes more impacting when it is used in productive development. A recent example is the use of zakat funds for the purchase of seeds and farming packs in Kenya, benefitting more than 1.2 million people. The success of the project, managed by the International Federation of the Red Crescent, has
allowed for communities to move beyond the subsistence and needs-based category (daruriyyat) to the next level (hajiyyat). The net effects create a virtuous cycle of moving groups out of poverty until they themselves become zakat payers and contribute to those less fortunate, until poverty is eradicated. However, this counter-cyclical nature of poverty is only achieved if communities may be developed into having the minimum zakatable wealth. Therefore, this case should be taken with caution as zakat is focused on wealth redistribution from the wealthy to the poor.

**Institutionalisation or Individual Obligation?**

The debate persists in academic circles on the responsibility of collection of zakat. Whilst governmental zakat institutions are strongly encouraged, most countries do not have organised systems of zakat and rely on non-government organisations (NGOs) to collect and distribute zakat. The management of zakat relies on dedicated institutions established either by government, under the supervision of Shariah scholars, or through NGOs and other informal organisations or both. The global approach of formal collection is different. According to a 2017 report by BAZNAS and the UNDP (2017), only six countries make it compulsory for the governmental collection of zakat whilst most Muslim-majority have no government system for the collection or distribution of zakat.

![Table: Mandatory, Voluntary, No government system]

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Voluntary</th>
<th>No government system</th>
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<tr>
<td>Libya, Malaysia, Pakistan, Saudi Arabia, Sudan, Yemen</td>
<td>Bahrain, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, U.A.E.</td>
<td>Afghanistan, Algeria, Azerbaijan Burkina Faso, Chad, Guinea, Iraq Kazakhstan, Mali, Mauritania, Morocco, Niger, Nigeria, Oman, Qatar, Senegal, Sierra Leone, Somalia, Syria, Tajikistan, The Gambia, Tunisia, Turkey, Turkmenistan, Uzbekistan</td>
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**Source:** (UNDP & BAZNAS, 2017)

Current research undertaken in Pakistan in 2018 on zakat collection and disbursement indicates that most zakat payers have little confidence in government collection and distribution. This distrust stems from a perceived lack of disclosure and corruption in the country. Pakistan was ranked as the 117th least corrupt nation out of 175 countries, according to the 2017 Corruption Perceptions Index reported by Transparency International². For those that argue that zakat must be made compulsory by governments, the perceived levels of corruption in Muslim-majority countries makes collection feeble and community trust a mirage.

² [https://tradingeconomics.com/pakistan/corruption-rank](https://tradingeconomics.com/pakistan/corruption-rank)
A brief review of zakat literature since the turn of the millennium have highlighted issues in collection, management and disbursement of zakat (Johari, Ab. Aziz, & Mohd Ali, 2014). In Malaysia, for example, several studies have identified challenges such as excessive usage of staff in some areas (Hamzah & Krishnan, 2016), shortage in human capital in others, low usage of technology, issues in corporate governance, insufficient number of branches and low ratios of zakat payers to total population (according to zakat (Ahmad Razimi, Romle, & Muhamad Erdris, 2016) Selangor report, over two million Muslim in Selangor, only 160,000 people paid the Zakat).

However, as technology plays a more significant role as a disruptor of traditional business norms (aka AirBnB, Uber, Grab, etc.), charitable institutions are also expected to face significant technological disruption. Although convenience of collection may be enhanced through web collection, issues of trust efficient distribution may be impacted only through more transparent means. For example, the use of smart contracts through blockchain technology have already been used in closed collection and distribution systems via smart mobile applications. Notwithstanding, collection and distribution still requires supervision and guidance from auditors and Shariah advisors. Blockchain solutions are not the magic bullet to all the woes of inefficiency and poor perception. Rather, they may be used as a tool to improve the image and enhance partial efficiency of the Zakat system. A more holistic approach is required. One that incorporates willingness from governments and institutions to use multiple channels of collection, sophisticated databases that make use of big data analytics to ensure support for the infirm and elderly, whilst providing guidance, skills training and job placements for those that are capable but have fallen in hard times.

Conclusion

Zakat is an enabler to socio-economic prosperity and equitable distribution of wealth. Through a reduction in wealth concentration, social cohesion will be improved. At a time where income inequality threatens the social fabric of many countries (including Muslim countries) and impedes healthy economic growth, establishing an efficient zakat system becomes more urgent. Embracing most recent developments in technology and the global acceptance of blockchain as a benchmark in maintaining secure, transparent and cost-effective transactions, are expected to create positive disruption in the zakat sector. However, the noise around blockchain may soon fade once it is clear that it is only an effective tool if it operates within a well-structured zakat ecosystem that includes strong governance, Shariah guidance and sincerity. Perhaps adapting the lessons in zakat effectiveness from Caliph Umar bin Abdul Aziz have not been more pertinent and applicable than today.

References:

The Marawi Siege

Marawi – a city of 200,000 people is in Mindanao or more appropriately in Autonomous Region of Muslim Mindanao (ARMM) in the Southern Philippines. Officially known as the Islamic City of Marawi, it is the largest Muslim city in the predominantly Catholic Philippines.

On 23rd May 2017, shooting broke out between Philippine government forces and armed rebels who have taken base in Marawi. The rebels include the Abu Sayyaf group and the Maute clan both affiliated to ISIS. On that day the military forces supposedly was conducting a raid on drug labs in the city but there is a high probability that the siege was triggered when the military tried to arrest top Abu Sayyaf leader Isnilon Hapilon. This prompted the armed fighters to fight back. The armed militants had declared Marawi city as a new caliphate of ISIL (the Islamic State of Iraq and the Levant group) also known as ISIS.

By Mr Ezamshah Ismail
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During the siege hundreds of civilians remained trapped in the crossfire. Within a month, the conflict had displaced 360,000 people in Marawi and surrounding areas. The five months siege had resulted in the mass displacement of civilians, the widespread destruction of civilian infrastructure and the loss of civilian lives. Martial law continues to be implemented in Marawi and the surrounding Mindanao areas until today.

**How will the City be Rebuild?**

After five months of heavy shelling Marawi’s centre of life and trade has been turned into a wasteland. The historic city has been left in ruins and it is not clear when residents will be able to return home though some rebuilding effort has been initiated, after the government declared an end to months of fighting in Marawi on 23th October 2017. Economic activity in and around Marawi is slowly returning, although not in the most affected areas (MAA), which is still closed to civilians, and much of which seems unlikely to be habitable until a large reconstruction program has been completed, reportedly not for around four years.

This conflict-driven economic downturn comes on top of pre-existing levels of poverty and financial exclusion which were among the highest in the Philippines already before the seige. Many of the people in the evacuation camps were poor even before the conflict started. With the city destroyed, residents are unable to return home and continue to suffer from dehydration, infections and waterborne diseases. Basic sanitation facilities, food and medical supplies are limited.

Following the siege the Government has taken possession of the land in the MAA and announced that a 10-hectare military camp worth PHP400 million will be developed in Marawi City as it hopes to fortify the conflict-stricken area to prevent the re-entry of terrorists.

In order to accelerate and sustain socioeconomic recovery, substantial and protracted assistance will be required for internally displaced people (IDPs) to ensure access to appropriate financial resources for restarting business and livelihood activities (and making them more resilient to future shocks). A range of innovative and culturally appropriate methods, products and services are also required to expand business and economic opportunities.

*Photo 1: IDB in Neighbouring Iligan*
Financial Inclusion for Recovery in Marawi Program

Financial inclusion¹ is a key strategy to promote inclusive development, which empowers households to better manage financial risks and/or recover from the impact of shocks and crises. Financial inclusion is recognized as an important enabler of the sustainable development goals (SDGs).² The United Nation Development Programme (UNDP) has therefore proposed to develop and implement a four-year program — Financial Inclusion for Recovery in Marawi (FIRM) Program — to offer both immediate assistance as well as to support the development of appropriate long-term financial services and products for Micro, Small & Medium Enterprises (MSMEs) in Marawi and surrounding areas. The program aims to redevelop the capacity both of financial institutions, as well as MSMEs in the Lanao del Sur area, so they can manage their personal and business finances effectively and make their businesses more resilient to future shocks.

Access to formal financial services in Autonomous Region in Muslim Mindanao (ARMM) and proposed Bangsamoro territory has been practically non-existent. About 93 percent of cities and municipalities in ARMM and 8 percent in Bangsamoro were unbanked as of 2015 — representing the highest percentage of unbanked regions in the country.³ The few banks that do operate in ARMM focus on collecting deposits and providing transactional services.⁴

¹ Financial inclusion is defined as a situation where all working age adults have access to savings, credit, payments, insurance, remittances, and investments from formal service providers (see footnote below).
³ The lower unbanked level for the Bangsamoro is due to the banking presence in the cities of Cotabato and Isabela, which are not part of ARMM.
As of March 2015 deposits outstanding in ARMM stood at PHP8 billion (US$160 million). Loan to deposit ratio is 16% in ARMM compared to 29 percent in Mindanao and 62 percent as the national average.\(^5\)

Getting a sense of the exact situation with regards to access to finance in the Marawi area is difficult. Arguably the main governmental MSME finance initiative for Marawi is the P3 (Pondo sa Pagbabago at Pag-asenso) microfinance program, which is supposed to include Marawi as a focal point\(^6\). These loans – which were introduced to counter the 5-6 money lending scheme - are conventional rather than Islamic financing. The number of financing options available for IDP MSMEs seems more limited on the ground than government agencies would suggest.

Currently, we find the financial requirements of Marawi MSMEs to be largely unmet. In terms of reasons for financing the main three purposes would be for business property repair or purchase, revolving credit for increasing stock or inventory and financing for business-related equipment. Perhaps most importantly, it seems clear that for most MSMEs in the Marawi area to be interested, these financing should be Shariah-compliant.

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At the national level, Bangko Sentral ng Pilipinas (BSP) has established a National Strategy for Financial Inclusion that, among other things, seeks to reduce the number of unbanked. Implementation of the strategy has been incorporated into the Philippine Development Plan 2017-2022. BSP has also identified the expansion of Islamic banking as a priority, and Congress is currently discussing the passage of the Philippine Islamic Financing Act to improve the regulatory framework for Islamic banking and restructure Al-Amanah Islamic Investment Bank.

Islamic Finance in Marawi

So far, there is very little indication that Islamic financing is established on the ground. The Philippines has only one Islamic Bank (and possibly the first in the World) - Amanah Islamic Bank - first established as “Philippine Amanah Bank” by virtue of Presidential Decree No. 264 by then President Ferdinand E. Marcos in 1973. The decree required the Bank to invest 75 percent of its total loanable funds for the purpose of providing medium and long-term credit facilities to the people of the Muslim-dominated provinces in Mindanao. In spite of another 1974 Presidential Decree No. 542 directing the Bank to implement the Islamic concept of banking, following the “no interest” and the partnership principles, not much headway was made.

Philippines Amanah Bank then became Al-Amanah Islamic Investment Bank of the Philippines (AIB) in 1989. With this, a re-branding exercise to popularize the new Bank logo with the tag “Amanah Islamic Bank” and having Islamic Financing as its mission was initiated. However, to this date, most of AIB’s activities are still very much in conventional finance – only around 20 percent or its deposits and 15 percent of its loans are Shariah-compliant. Even in Lanao, customers are offered the choice of Islamic or conventional deposit products, the latter often being preferred as they are covered by PDIC’s deposit guarantee (50 percent of Marawi branches deposits were reported to be Islamic).

On another front, there are two large national microfinance providers – CARD NGO and ASA Philippines – operating in Lanao del Sur. ASA Philippines Foundation has 18 branches nationwide serving more than 20,000 clients with conventional microfinance in ARMM, and it has been offering Islamic microfinance products in the region since 2016. ASA has around 1,300 borrowers in Marawi alone (as of end of January 2018), around half of which were in the MAA with an average of close to PHP 8,500 per case. ASA’s main Islamic financial product is Murabahah (cost-plus lending, up to a maximum of PHP 10,000), but they made concessions for those borrowers who lost their properties in Marawi, and converted these accounts to Qard al-Hasan loans (i.e. free of fees or margins, and usually with flexible repayment terms). ASA also offers ijara leases for slightly larger financing requirements.

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9 According to CEO Alex Bangcola, during a meeting in March 2018.
10 Ibid.
As for CARD-NGO, which has more than 200,000 Muslim clients nationwide, has started offering “Shariah-inspired” loans. It charges a fee instead of interest (although that fee is identical in amount to the interest of conventional loans). They also hope to launch a Mudaraba product in the near future. It is estimated that CARD NGO had around 4,700 IDP borrowers (of which 60% were still displaced as of February 2018), most of which have been rescheduled. CARD is also in partnership with Indonesia’s Dompet Dhuafa, Indonesia’s largest philanthropic organization, which collects zakat payments and uses them for Islamic microfinance. The IDPs that we met during the Marawi workshop, underlined the fact that the vast majority of IDP entrepreneurs will need microfinance products rather than SME finance products.

Another avenue of Islamic finance is through the Peace and Equity Foundation (PEF). As part of PEF’s Mindanao Partnership Project for Peace (MP3), efforts were undertaken to support microfinance and enterprise development projects as a means of poverty reduction. Under the MP3, PEF acts as fund manager in providing support for capacity development of partner-borrowers, and facilitating the delivery of business development services to community entrepreneurs. We suspect a qard al hasan is provided to those who qualify but with very small amount.

In the focus group discussion we also surveyed the Muslim participants’ awareness and knowledge on zakat. Most knew that it is compulsory to pay zakat in Islam and they feel blessed after paying zakat. However, the majority appear unaware of the requirements and criteria under the zakat system. They agree that zakat can help the needy, and also with social development of the community but 49 percent of the respondents give their zakat directly to the needy, whilst another 29 percent pay it to the local Imams. Very few pays to the designated collector (Darul Ifta’and other local authority), but almost everybody agree that a zakat system should be formally set up in the Philippines. We are quite puzzle with the contradictory responses which suggest that there may be issues on trustworthiness of these designated collectors.

A Long Journey Ahead

According to a 2015 report of Philippine Statistics Authority, 6 percent or approximately 6 Million of Filipinos are Muslims with the majority located in ARMM. Certainly there is a respectable ready market to be tapped.

However, based on our observations, from surveys and discussions, there is an apparent lack of understanding of Shariah and Islamic Finance. Generally, it is an accepted norm amongst the Muslim Filipinos that riba’ (interest) is not permissible in Islam, and this is a major reason why few Muslims in Marawi and ARMM bank with conventional banks. Many Muslims borrow from family or friends wherever possible and business are conducted with little credit. Knowledge on Islamic finance is scarce and many did not realize that some Shariah-compliant financing and insurance products existed. But it is heartening to note that when the locals were asked “If a locally-present financial institution opens up a facility on the principle of Shariah I will transfer my account to that institution” the response is an overwhelming yes.

11 A 2012 estimate by the National Commission on Muslim Filipinos (NCMF) and the U.S. Department of State, stated that there were 10.7 million Muslims, or approximately 11 percent of the total population.
The MSME credit gap is not only to be counted in monetary terms, but also in terms of the ability of the financial institutions’ to deliver their products in Lanao del Sur. As mentioned above, the two largest providers of credit to MSMEs in the province, CARD and ASA, are more or less at full capacity of their current staff in the region and appear to have no plans to significantly expand in the area. Amanah Islamic Bank (AIB) is planning growth in both loans and deposits in ARMM, but their staff is small and do not have the capacity to implement this. There is clearly a need for more training, and more macrofinance institutions (MFI) branches and staff to be added, if not by existing players, then maybe by a new player to the market.

Capacity Development of Al Amanah Islamic Bank and other institutions providing Islamic financing is crucial. There is a lack of Shariah and Islamic Finance courses or training available in ARMM. Even at the Mindanao State University (MSU) only an elective Fiqh Muamalat and Islamic Accounting courses at the undergraduate level are offered. Thus the capacity for Islamic finance training would have to be developed almost from scratch, ideally with the assistance of Islamic scholars from MSU and other universities.

Another challenge in developing and distributing Islamic finance products is the lack of a proper Shariah advice. There is no body in the Philippines that is officially competent to determine whether a financial product is Shariah-compliant or not. In the case of Al Amanah Bank or ASA Philippines, compliance with Shariah is determined by one person inside the financial institution, which is far from ideal. We note that it is provided in the proposed Bangsamoro Basic Law (BBL) that the Bangsamoro Government, the Central Bank (BSP), and the National Commission on Muslim Filipinos (NCMF) shall jointly promote the development of the Islamic banking system, to include among others the establishment of a Shariah Supervisory Board – but this is likely to be a very long-term prospect. It is strongly recommended that guidance and support for the establishment of a regional (and possibly institution-level) Shariah Advisory Council(s). A regional Shariah Advisory Council could help to give the offered products credibility and support from Imams and the Muslim community in general.

On the insurance side, there are currently no providers of insurance products that are categorized as Shariah-compliant (even though it is possible that some cooperative insurance products may qualify). Following the Marawi siege, many IDPs recognized the fact that they would have been better off if they just have had some form of insurance but have not obtained them because Islamic insurance was not available. Nonetheless, there is hope, as few insurance companies like CLIMBS Insurance Cooperative is agreeable to look into setting up a Takaful window.

From a regulatory perspective, further guidance on Islamic finance, as well as the possibility for banks other than AIB to offer Islamic finance in the Philippines, should materialize if the proposed Islamic Finance and Al Amanah Bank bills are ever to be passed – however, for the moment, these bills appear to be in limbo. While Al Amanah Islamic Bank is currently the only bank allowed to participate in Islamic finance in the Philippines, the Al Amanah Bill, if passed, may open the way for other banks to engage in Islamic finance.

Nonetheless, having optimal regulations and legislation in place is not essential to move forward with an expansion of Islamic finance for MSMEs in Lanao del Sur. MFIs and cooperatives can already offer Islamic finance products, and establishing at least a regional Shariah Advisory
Council could help to give the offered products credibility and support from Imams and the Muslim community in general. Even on the insurance front, where taxation would be difficult and sub-optimal for Islamic insurance providers, certain stakeholders who took part in a recent round-table discussion on Islamic insurance felt that it is better to move forward before legislation is in place. Early pilot projects can in fact help mold future legislation based on experience and lessons learnt.

Another major challenge which exists for both Islamic and conventional financing is that the risks of doing business in Lanao del Sur remain higher than elsewhere because of continued armed conflict in the region. Also, the number of potential clients is much lower than in many other parts of the Philippines if Shariah based financing is not available. Some sources also admitted that the Muslims are lacking in certain management and operational skills and that training to develop these skills e.g. agriculture and farming, financial literacy etc. need to be looked into first.

**Moving Forward and Conclusion**

Whilst political intervention is needed to prevent further conflicts and violent extremism in Southern Philippines, Promoting Inclusive Development - using Islamic Finance – can be a positive factor in the case of Marawi and ARMM. We believe that there is insufficient financing (or microfinancing) outreach in the Philippines in general, and in ARMM in particular. There are 3.8 Million Muslims Filipinos located in ARMM (and another 2.2 million in other parts of Philippines) looking forward to Islamic form of financing and ecosystem. Economic underdevelopment is a hard and bitter reality for Muslims in ARMM, and the Government cannot turn its eyes away from the problem, particularly when it is claiming to be giving so much attention on the country’s communal condition.
The government neglect to provide basic rights, services and security not only contributes to growing inequality, it also creates a vacuum that permits private players to take control over its sovereignty and territory. In an interview with Siti Djalia Hataman, Ex Congresswoman (ARMM) and now Chairperson of Anak Mindanao Foundation affirms that the Muslims have little trust on the government and thus are reluctant to participate in formal financing system which will exposed their wealth. Also, the the majority do not borrow from banks due to riba’ which is prohibited in Islam. Also, Furthermore, the Maranaos in Marawi are clannish in nature and their social structure and business are strongly influenced by their clan leader and possibly by their Imams too.

On the ground, the Muslims in Marawi and ARMM need support for an expansive agricultural and other sustainable livelihood training programs (SLP). The SLP is a community-based, capacity building program that seeks to improve the socio-economic status of its participants through skills training, seed capital fund, pre-employment assistance, and cash for building livelihood assets. It offers two tracks — microenterprise development and employment facilitation. It is good to see that the Department of Agriculture and few NGOs are already running agricultural training programs. The Maranaos must learn other form of vocation as an alternative to their usual business trading. Their well-being would also improve with better financial literacy and general education.

Waqf and zakat are essential components in an Islamic economic system. However, in the Philippines waqf is virtually non-existence and zakat collection is arbitrary. Both are pivotal platforms that can counter social problems such as poverty in society, and should be explored simply because they are provided for in the National Commission on Muslim Filipino (NCMF) charter and its significance is recognized in the Bangsamoro Basic Law Bill (BBL). While a well-managed zakat collection system will create a collective social security scheme for mutual assistance and the resources linking it to acceptable social development the waqf or trust can be a platform for collection of donations from public and private institutions, corporations and even individuals (locally and desirably also from abroad). As in many Muslim countries the institution of waqf has also played an effective role in the developmental its society.

Overall, we believe that the potential for Islamic finance in Marawi is vast given the following factors:

- Increasing demand for more transparent and ethically structured products, which point to immense potential for further growth of the Islamic finance industry.
- Large Muslim population in the region who are looking for Shariah-compliant products and services.

The government must be compelled to act. It makes both good political and even economic sense if some of the country’s resources can be used to correct the negative path of the Muslim reality in Marawi and ARMM.
Sustainability: A Responsibility Not an Option.

Generally, sustainability refers to a balancing act of meeting our own needs without compromising the ability of future generations to meet their own needs. It consists of three main pillars namely; the economic development, the social development and the environmental protection. In the finance arena, sustainable finance refers to any form of financial service integrating environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large. According to European Commission, sustainable finance includes a strong green finance component that aims to support economic growth while reducing pressures on the environment, reducing pressures on the environment beside increasing the awareness of and transparency on the risks which may have an impact on the sustainability of the financial system. Activities that fall under the heading of sustainable finance, to name just a few, include: sustainable funds, green bonds, impact investing, microfinance, active ownership, credits for sustainable projects and development of the whole financial system in a more sustainable way.
Improvements in sustainability adds economic benefits to a project/company alongside the beneficial environmental impact. For example, according to Professor Joseph Allen at Harvard University, productivity can be increased by US$6,000 to US$7,000 per person per year simply by improving ventilation standards in a building. Moreover, by embracing a greener approach, a project can deliver a better environmental footprint while reaping considerable cost savings.

It’s well argued that adopting sustainable practices, whether large or small, can have significant impacts in the long run. The current practices and the increasing research regarding sustainability affirm that sustainability has become a responsibility not an option, and more people are believing that it will become a compulsory policy or framework in the near future. Among the many questions regarding this change is: which processes will drive this change in order to achieve this sustainability?

Sustainability experts believe that reporting process has a significant role to play in this much needed transformation. “Evidence shows that both reporting on the sustainability impacts and the decision-making processes that disclosure informs will have to evolve if they are to promote the changes we need to achieve in the next decade – or even get close to – a sustainable economy”.

What is Sustainability Reporting?

A sustainability report is “a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization’s values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy”. A sustainability report conveys disclosures on an organization’s impacts – be they positive or negative – on the environment, society and the economy.

According to GRI organizations, "sustainability reports are released by companies and organizations of all types, sizes and sectors, from every corner of the world. In addition, “thousands of companies across all sectors have published reports that reference GRI’s Sustainability Reporting Guidelines. Public authorities and non-profits are also big reporters”.

A specialized report entitled “Sustainability and reporting trends in 2025” mentioned that “over the last decade, the practice of corporate sustainability disclosure has increased dramatically, as has stakeholder demand for sustainability data. Regulators, rating agencies, stock exchanges, investors, consumers and civil society organizations have been asking companies to measure and disclose their performance like never before”.

Sustainability reporting can be considered as synonymous with other terms for non-financial reporting like:

1. Triple Bottom Line reporting.
2. Corporate Social Responsibility (CSR) reporting.
3. Environment, Social and Governance (ESG) reporting.

It is also an intrinsic element of “integrated reporting”, a more recent development that combines the analysis of financial and non-financial performance\(^6\). Major providers of sustainability reporting guidance include:

- GRI (GRI’s Sustainability Reporting Standards)
- The Organisation for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises)
- The United Nations Global Compact (the Communication on Progress)
- The International Organization for Standardization (ISO 26000, International Standard for social responsibility)

This scope of this article is limited to the GRI’s standards only.

**Why It Is Important to Report Sustainability?**

According to a recent report by KPMG, 93% of the world’s largest 250 corporations report on their sustainability performance\(^7\). The practice of disclosing sustainability information through sustainability report has many positive aspects like:

1. Inspiring accountability.
2. Helping in identifying and managing risks.
3. Helping organizations to set goals, measure performance, and manage change in order to make their operations more sustainable.
4. Enabling organizations to seize new opportunities.
5. Supporting companies, public and private, large and small, in their efforts to protect the environment and improve society, while at the same time thriving economically by improving governance and stakeholder relations.
6. Enhancing reputations and building trust.

In addition, sustainability reporting makes abstract issues tangible and concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organization’s activities and strategy.

**What is GRI?**

The Global Reporting Initiative, or simply GRI, is an independent non-for-profit international organization based in Amsterdam, the Netherlands, that has pioneered sustainability reporting since 1997. GRI serves a global audience through its regional hubs in Brazil, China, Colombia, India, South Africa and the United States. GRI reports are produced in more than 100 countries. GRI is looking forward a thriving global community that lifts humanity and enhances the resources on which all life depends. One of the main objectives of GRI is to advance sustainable

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\(^6\) Ibid

development through greater transparency and accountability, with a focus on emerging markets.

GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being. This enables real action to create social, environmental and economic benefits for everyone. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest. GRI’s core product are the Sustainability Reporting Standards which are made available as a free public good.

Beside the GRI’s standards on sustainability reporting and their support for companies and countries implementing them, GRI advises governments, stock exchanges and market regulators in their policy development to help create a more conducive environment for sustainability reporting.

**What are the GRI Standards?**

The GRI Sustainability Reporting Standards (GRI Standards) are the first and most widely adopted global standards for sustainability reporting. Since GRI’s inception in 1997, it has transformed it from a niche practice to one now adopted by a growing majority of organizations. These standards been continuously developed over 20 years, and they represent global best practice for reporting on economic, environmental and social issues. A survey by KPMG (2017) showed that GRI remains the most popular framework for corporate responsibility reporting.

The GRI Sustainability Reporting Guidelines offer reporting principles, standard disclosures and an implementation manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location. The Guidelines also offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impact of organizations. The guidelines are useful in the preparation of any type of document which requires such disclosure.

**How the GRI Standards are Structured?**

The GRI Standards are structured as a set of interrelated standards. They have been developed and structured primarily to be used together to help an organization prepare a sustainability report which is based on the Reporting Principles and focuses on material topics.

A report in accordance with the GRI Standards can be produced as a stand-alone sustainability report, or the organization can also use selected GRI Standards, or parts of their content, to report specific information, provided that the relevant Standards are referenced correctly.
The following is an overview of the set of GRI standards\(^9\) which includes two main categories: The Universal and The Specific standards.

Let’s have a quick and brief look at each subcategory of these standards\(^{10}\):

1. **GRI 101 (The Foundations):** applies to any organization of any size, type, sector, or geographic location, that wants to use the GRI Standards to report about its economic, environmental, and/or social impacts.

2. **GRI 102 (The General Disclosures):** used to report contextual information about an organization and its sustainability reporting practices. This includes information about an organization’s profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process.

3. **GRI 103 (The Management Approach):** used to report information about how an organization manages a material topic. It is designed to be used for each material topic in a sustainability report, including those covered by the topic specific GRI Standards (series 200, 300, and 400) and other material topics. Applying GRI 103 with each material topic allows the organization to provide a narrative explanation of why the topic is material, where the impacts occur, and how the organization manages the impacts.

4. **GRI 200, 300, 400 (The topic-specific Standards):** used to report information on an organization’s impacts related to economic, environmental, and social topics (e.g., Indirect Economic Impacts, Water, or Employment). Selected topic-specific Standards, or parts of their content, can also be used to report specific information, without preparing a sustainability report.

**Conclusion**

Talking about the significance of sustainability and sustainable finance has become outdated. What matters now is how to highlight the sustainability practices conducted by institutions, particularly financial institutions, in a clear, comprehensive and standardized methodology. The Global Reporting Initiative (GRI) standards are prominent example for such reporting which is crucial for comparing different practices and, therefore, developing and promoting them globally. Therefore, it is a new research area for those who are interested in being involved in making the world a better place to live. This, of course, includes Islamic finance researchers, practitioners and regulators.

\(\text{Source: GRI (2016).}\)

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\(^{10}\) Ibid
Introduction

Financial inclusion is defined as “a state in which all people who can use and have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered through a range of providers, most of them are private, and reach everyone who can use them, including disabled, poor, rural, and other excluded populations”. The notion of financial inclusion emerged at the end of the 20th century with the view that development should not only be limited to the level of GDP, but it should be extended to other spheres of life. Financial inclusion started as political concern in the UK in 1997 and became global development agenda which led to the foundation of Global Partnership for Financial Inclusion (GPFI) in 2010. According to the former United Nations secretary general Kofi Annan, "The stark reality
is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives. In 2005, United Nations proposed financial inclusion to be put forward globally and the part of the agenda was to provide the equitable access to financial facilities to the entire society. The recent development of SDGs has also provided space to inclusive growth and financial inclusion. In Hangzhou Summit in 2016, financial inclusion remained an important topic among the G20 states.

**Reason of financial exclusion**

Despite these concerns, the current figures of financial inclusion in the world are very devastating. One of the recent report of Global Financial Development explored that 80 percent of the deprived class of society who are living under 2 dollars a day, do not have a bank accounts. Currently, about half the total adult population i.e. 2 billion adults are unbanked, they do not have excess to financial services or any account at regular financial institutions. Financially excluded people are not enjoying the available financial facilities. There are many reasons behind financial exclusion such as education, costly procedures and services, employment status, household income level, gender, financial complications, excessive documentations, affordability, place of residence and religion. On the other hand, financial exclusion leads to boost up to vicious cycle of poverty, hamper economic growth and persistent inequality.

**Benefits of Financial Inclusion**

The main objective behind financial inclusion is to make accessible financial services to the deprived class of society at lowest cost possible. Providing excess to fund help to accelerate consumption, saving and investment. Making finance accessible to the deprived class of society, helps them to start businesses, raise income level, absorb health shocks, improvement in quality of life, investment in education and paying school fees. Likewise, making other financial facilities available like insurance cover, life protection and help the deprived class of society to manage different risks. Financial inclusion empowered women to be economically stable and financially autonomous. Equally, financial inclusion helps the aged and retired people to investment their saving in pension funds to protect future and remain financially stable. It also helps adults to save for the future, so they can enjoy financial stability. On the other hand, more financial inclusion is in favour of financial institutions themselves, because more use of bank deposits contributes to a more stable deposit base for banks in financial crises and economic shocks. The countries, who have deeper financial intermediation services are able to grow faster and have the ability and tools to eradicate poverty and decrease inequality.

**Informal Financial Inclusion**

If we look at majority of developing nations, people use informal channels for savings and borrowing. This informal sector helps the deprived class of society by providing support in case of emergence like sickness, unplanned needs, seasonal incomes and uneven cash flows. These informal channels can either be their relatives, friends and loan sharks. These loan sharks further faster the vicious circle poverty as they advance loans at very high rates of interest. The reason for existing informal sector along with official economy in developing

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1 These loans are either spend as a consumption expenditure by the household or saving and then converted into investments.
nations is due to the excessive taxes, low quality of institutions and the excessive government interference. Additionally, formal banks are also significantly contributing to the emergence of informal sector as they have complicated documentations process, costly procedures and on top of that a collateral-based financing which contribute to the growth of the parallel sector along with formal sector in an economy. In some developing countries, formal inclusion does not reduce the use of informal services.

**Fintech and Financial Inclusion**

Today, in 21st century, where the information is widespread and easily accessible. The technological tools can be very powerful accelerating financial inclusion. For example, mobile technology is playing very important role in terms of assisting the unbanked and the underbanked class of society since 2004. According to World Bank 2016 report, approximately 7 out of 10 among the 20 percent poorest households have a mobile phone while Bill & Melinda Gates Foundation projected that "By 2030, 2 billion people who don’t have a bank account today will be storing money and making payment with their phones”.

Malaysia is one of the countries that is now moving towards a more inclusive digital economy. In 2013, Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear) launched its mobile e-banking facility known as “MyMobile”. This facility is used for payment of bills, transferring of money, performance of airtime tops up, sending remittances to certain locations. The service of MyMobile is very flexible that it does not need smartphone to perform services. Another success example is M-pesa which was launched in 2007 in Kenya. M-pesa is a SMS-based mobile money system which allows customers to send, receive and deposit money through mobile phones. Users can transfer money to any part of the country at a reasonable cost without having bank account, having 11000 agent outlets. Similarly, in 2009, Telenor Pakistan in collaboration with Tameer Microfinance Bank launched Easypaisa with the objective of financial inclusion for the millions of unbanked people in the country. By using Easypaisa, one can transfer money from one place to another instantly, in a convenient, safe and secure manner. It will take only few seconds to perform financial transaction and ends with confirmation SMS from the sender to the receiver.

**Islamic Finance and Financial Exclusion**

According to Global Findex Report (2017), in majority of Muslim countries, the reason behind low share of adults having no attachment with formal financial institutions is due to religious reason. Even though, there are many reasons of financial exclusion such as complex set of personal, cultural, social, political, legal, and economic factors. However, all these reasons can be classified into two main classes i.e. involuntary exclusion and voluntary exclusion. As we see in the figure 1 where one of the main component of financial inclusion is voluntarily exclusion. The reason behind such exclusion is that the current financial system is not in line with their religious beliefs.

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2 Those household that lack any kind of deposit account at an insured depository institution.
3 Those households that have a checking and/or a savings account and had used non-bank money orders, non-bank check cashing services, non-bank remittances, payday loans, rent-to-own services, pawn shops, or refund anticipation loans in the past 12 months.
4 Telenor Pakistan (Pvt.) Limited is the second largest cellular & digital services provider in Pakistan.
5 Majority of the world countries included Muslim majority countries have conventional financial system and share if Islamic finance in the world is only 1.5% approx.
Therefore, they are voluntarily excluded. But if we look at these reasons from Islamic perspective, Islam is the fast-growing religion in the world and about 25 percent of the world population is Muslim. As stated by Global Findex (2017), more than 7 percent of population worldwide is excluded due to religious reason which accounts for around 150 million of adults’ population around the world. Figure 2 depicts that the likelihood of quoting religious reasons is higher among unbanked adults in Muslim majority countries compared to other nations. Similarly, we see in figure 3, in the world, compared to non-Muslim, self-identified Muslims are approximately twice (24 percent vs. 44 percent) less likely to have an account with formal financial institutions.
Figure 2: Financial Exclusion in the World due to Religious

Source: Used data from Global Findex database 2017
To summarize, taking into consideration the above statistics, it can be argued that enhancing the size of Islamic finance and access to Shariah-compliant financial products can reduce voluntary financial exclusion. Similarly, Shariah-compliant financial products such as profit and loss sharing contracts i.e. Musharakah and Mudarabah etc. and instruments i.e. Zakat, Sadaqa, Waqf and Qard Hassan also have potential to reduce involuntary financial exclusion as explained in figure 4.
Secondly, surging financial inclusion is not only responsibility of the financial institutions, the government also need to play influencing role to fight against financial exclusion. By using latest technology (fintech), Islamic financial institutions as well as governments can develop an effective mechanism to bring the deprived, unbanked, marginalized class of society in the financial circle, in order to achieve economic advantage, social mobility and ensure survival. Similarly, it is also not sufficient to only digitalize banking sector, there is also quite need to launch small fintech business models like M-pesa etc. to offer technology-enabled, simple end-to-end, peer to peer experiences, cost effective financial services. Such business models will not only help the poor class of society to make payment, pay bills, transfer money and open account but at the same time would enable them to have a connectivity, user experience, automation, decisioning, collaboration and execution.

To conclude, if Islamic finance is to bring more people into the financial system, then it needs to come up with products which on one hand, have elements of fintech to keep the products cost effective and convenient and on the other hand, they need to be collateral free. The financial exclusion can only be reduced with use of technology that offers connectivity with different digital financial products. Similarly, it is worth to mention that these digital services should be fully protected from any kind of cyber-attacks.
Amartya Sen says, “Who should we give the violin? Poor, middle class or rich boy?” Amartya Sen is a well-known scholar, member of the original scholars team that produced the Human Development Report (HDR) in 1990 who further reform the meaning of development into “development as freedom” as a successive development theories to improve human wellbeing. The violin is a metaphor to industry economic logic. In accordance to the violin metaphor, an abundance of opportunity needs to be created for the less fortunate kids beyond academic excellence. So that these kids will bring a lifelong change for their families’ social economy. The same philosophy was brought along by Mahbub ul Haq on his perspective on economic development was the concept of the “missing person”. What is the “missing person”? It is the consideration of human development and enhancing human productivity as for both the means and the end of the development process. (Haq, 1995) Human development is defined as a wide range of people’s choice for freedom.
seeking opportunities and improving their wellbeing. Human development issues covers not only amongst poor countries and poor people, but also in the developed and developing countries. The complexity of shortfalls of human development in the developed countries are able to be seen in homelessness, drug addiction, crime, child abuse, unemployment, urban poverty, environmental degradation such as extinction of wildlife and pollution.

Nevertheless, in the era of globalization despite of all the shortfalls in human development, the world has come to an agreement to stay committed in the agenda of the United Nation Sustainable Development Goals which target to fulfil the seventeen goals of peace and prosperity for people and the planet, now and in the future. It is most important to realize that to end poverty must go hand-in-hand with improving healthcare and good education, having clean water and sanitation, a sustainable cities and communities with strong economic growth while preserving our oceans and forests. All these efforts could be effectively accomplished with the help of both social entrepreneurship and social business. There is a fine line between social entrepreneurship and social business as they pursue the same goals. Social entrepreneurship is an initiative created by an entrepreneur, with a vision to address social deprivation for example pollution, hunger and poverty. Meanwhile, social business is a very specific type of business – a non-loss, non-dividend to the shareholders type of company
with a distinctive structure created for perpetually impacting the underserved people or issues (Yunus, 2010). Both social business and social entrepreneurship should make a concerted effort together with full hearted individuals, government agencies, corporations, foundations, non-profits, universities and other organizations to achieving an instant positive sustainable impact socially, environmentally and profitability in the long term. In the following, these are the progressive results of an inclusive economic growth carried out by government agencies as policy makers, networks of social entrepreneurships and non-governmental organizations (NGOs) in Malaysia that could be one of the effective formula to close the gaps of social disparities in the development of Malaysia.

As mentioned by the Deputy Minister of International Trade and Industry, Dr. Ong Kian Ming on his launching speech of the latest Poverty and Shared Prosperity 2018 report during the End Poverty Day event, the new term of ‘Multidimensional Poverty’ has been identified in the present state of affair which is hardly captured by the statistics – that are just measured by income alone. The multidimensional poverty is beyond monetary poverty, this could be an issue like malnutrition amongst children and adolescents aged 5 to 19 in Malaysia (UNICEF, 2018), people who are at the risk margin of being poor and their vulnerability is just a step away from going into the category of being very exposed to the effect of poverty and the percentage of children who are not enrolled in school, the list goes on. Yes, we have reduced the percentage of absolute poverty tremendously for the past 30 years, but it doesn’t stop there. The government agencies are fully dedicated in finding a holistic way of measuring and defining poverty and the need for better targeted policies to help various groups of people who could be categorised in multidimensional poverty. There are also two other reports launched during the End Poverty Day 2018 event on 19th of October 2018 held in Sasana Kijang; 1) The Human Capital Project by the World Bank to discuss the importance of investing in people to prepare the country for future economy and 2) Children Without: A Study of Urban Child Poverty and Deprivation in Low-cost flats in Kuala Lumpur by UNICEF. The findings are a wakeup call to all Malaysians about the reality of social issues that are happening to the children in that area in terms of safety, cleanliness, education and nutrition. Indeed, all these three reports are crucial for the policy makers to deploy policies which are suitable for the sustainability of the people, environmental and economy of the country.

A proactive government with better targeted policies will lead to an effective social business and more possibilities will be reaching out for those in needs. Thus, the Asian Venture Philanthropy Network (AVPN), an international dynamic network based in Singapore- a networking platform for multi sectorial entities from government related bodies, corporates, foundations, universities to service providers in Asia- has come together with the intention to improve effectiveness and accelerate deliverability of social business. They pool in ideas, frameworks and sharing of experiences on how they handle quite a variety of social needs from different fields. One of the AVPN members, Kevin Tan from Tri Sector Associates shared his experience in ‘Social Impact Bond’(SIB) engagements. One of the SIB project is to solve the problem of youth ex-offenders returning to jail in Boston, Massachusetts. In this particular SIB project, if they (government) achieve a certain number of net reduction in terms of jail days spent by the ex-offenders, the government would pay pre-agreed sum (or sums) , after six years of investments . This will be a win-win situation for the government to fully utilize their tax payers’ dollars only according to the outcomes, the investors could achieve an impactful investment return and re-initiate a new project and the non-profit organization will have a constant source of funding to run
their voluntary works. Thus, it is a healthy networking system focusing to direct all source of financial, human, and intellectual capital and fully utilizing it into the social business.

Additionally, with all good policies from the government and investors who are willing to invest in making good impact to the community, it will not turn into reality without a volunteering spirit from the non-governmental organizations (NGOs). NGOs are a group of entities which hold a strong, highly motivated yet purest heart of human capital. They gather volunteers who come from all walks of life with different expertise such as medicine, education, engineering and rescuing and share the same mission of helping those in need. Volunteers are a group of people who are inspired to do good and work together by their own freewill without expecting anything in return thus bring about changes into the society. The highest values can be seen in each individual volunteer is their selflessness, compassion, patience and just plain love for one another. Yayasan Salam Malaysia is an independent non-profit organisation which promote the spirit of volunteerism among Malaysians. In Malay, volunteer is called as ‘Sukarelawan’. It comes from two words of ‘sukar’ and ‘lawan’: ‘sukar’ means tough and ‘lawan’ means to fight. This word is well embraced by the volunteers in Yayasan Salam Malaysian, that brings up to their philosophy of “any struggles and difficulties that we have to go through, we will remain steadfast and keep working together to achieve the end goals of volunteer works.” Just like a colony of ants that organize their lifecycle independently and finally creates an enormous size of castle-nest underneath the ground to survive despite facing many obstacles for being too small in the planet earth. This philosophy is indeed something that we can learn and take lessons from it.

Ultimately, the real question is can Islamic social finance find ways for social business to get investors out there who are willing to change paradigm and be prepared to accept only social returns in a distant future? Let me leave you to ponder on this quote by a Noble Peace Prize-winner, “I dismiss personal profit and focus exclusively on people and planet. That’s what I call Social Business: a non-dividend company dedicated to solving human problems. You can go all the way, forgetting about personal profit, being single-minded about solving problems. The company makes profits, but profit stays with the company.” (Muhammad Yunus).

My deepest gratitude and appreciation to Dr. Kinan for giving initial ideas on my article and Dr. Baharom for giving me opportunity to share my insight.
THE ROLE OF ISLAMIC FINANCE TOWARDS NO POVERTY AND ZERO HUNGER

Eradicating poverty in all its forms remains one of the greatest challenges facing humanity today. Extreme hunger and malnutrition remain a huge barrier to development in many countries. United Nations estimates 795 million people are chronically undernourished as of 2014, often as a direct consequence of environmental degradation, drought and loss of biodiversity.

Against this background, The World Bank, INCEIF and Islamic Research and Training Institute have zeroed in on poverty and hunger as the underlying topic for the 4th Annual Symposium on Islamic Finance with a theme “Islamic Finance, Inclusion and Poverty Alleviation”.

The two-day symposium, co-organised by the three institutions, was officiated by Member of Parliament for Port Dickson Dato’ Seri Anwar Ibrahim who is known to be the voice for the marginalised and the impoverished.

Prof Dato’ Dr Azmi Omar, President & CEO of INCEIF, said INCEIF together with its partners The World Bank and IRTI have stepped up efforts to promote awareness on the importance of Islamic finance in supporting the SDGs. Although the size of Islamic finance is relatively small compared to its conventional counterpart, the value propositions of Islamic finance are in tandem with the five pillars of Maqasid Shariah which are protection of faith, life, posterity, property and reason encapsulate the 17 SDGs.

The symposium also facilitated the collection and dissemination of knowledge through the publication of a report on Islamic Finance, Financial Inclusion and Poverty Alleviation. This is to ensure the discussions are not merely academic but translated to high impact initiatives through policies formulation and effective implementation of the relevant projects.

The symposium concluded that the success of the SDGs called for enormous financial and technical resources, and its effective and efficient deployment. Though traditional development finance has remained the main tool for financing development in most developing countries, Islamic finance could be a strong and non-traditional source of financing for the SDGs.

A big thank you to all the readers as well as the contributors, it would be not be possible without your support. We aim to get better and come back bolder next year. Thank you All.

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Islamic Finance for Financial Inclusion in Marawi
By Mr Ezamshah Ismail

A Short Journey into Sustainability Reporting: The Case of GRI Standards
By Mohammad Osama Alchaar

The Emerging Trends of Social Business
Who Should We Give the Violin To
By Asmah Nabila Jamaluddin