



The Role of Islamic Social Finance Instruments Towards Poverty Alleviation in Nigeria: A Juristic Analysis

دور أدوات التمويل الاجتماعي الإسلامي في التخفيف من حدة الفقر في نيجيريا: تحليل فقهي

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Abstract

Nigeria is one of the West African countries that have abundant natural resources. It is also a member of the Organization of Petroleum Exporting Countries (OPEC). According to World Bank statistics, Nigeria's poverty rate is alarming, ranking next after India. Despite the numerous natural resources in Nigeria, poor economic management and governance are considered factors responsible for the current standard of living in the country. This study examines the potential opportunities and challenges in employing the Islamic social instruments of Zakah, Sadaqah, and Waqf in wealth redistribution to alleviate poverty in Nigeria. This study uses data obtained through library search to explicate the achievements and challenges of wealth redistribution in Nigeria and the role of Islamic social financing in eradicating poverty. It adopts a descriptive and juristic analysis approach to the roles and potential contributions of existing Islamic social finance platforms in the sustainable redistribution of wealth in Nigeria. This study reviews existing social finance platforms in Nigeria through an analysis of the Qur'an, Hadith, and Islamic economic worldview interpretations. The study explores the socio-economic potential of Nigeria's multi-ethnic, cultural, and religious society. This study finds that Islamic social finance institutions in Nigeria face corporate governance, effective records, database management, and regulatory challenges impeding public and private institutions' initiatives to address wealth redistribution and eradicating poverty through Islamic social financing use of Zakah, Sadaqah, and Waqf in Nigeria.

Keywords: Poverty alleviation, wealth redistribution, Islamic social finance, Nigeria, juristic analysis.

ملخص البحث

تعد نيجيريا إحدى دول غرب إفريقيا التي تتمتع بموارد طبيعية وفيرة. كما أنها عضو في منظمة الدول المصدرة للنفط (أوبك). ووفقاً لإحصائيات البنك الدولي، فإن معدل الفقر في نيجيريا مثير للقلق، حيث يأتي في المرتبة التالية بعد الهند. وعلى الرغم من الموارد الطبيعية العديدة في نيجيريا، فإن سوء الإدارة الاقتصادية والحكم يعتبران من العوامل المسؤولة عن مستوى المعيشة الحالي في البلاد. تختبر هذه الدراسة الفرص والتحديات المحتملة في توظيف الأدوات الاجتماعية الإسلامية مثل الزكاة والصدقة والوقف في إعادة توزيع الثروة للتخفيف من حدة الفقر في نيجيريا. تستخدم هذه الدراسة البيانات التي تم الحصول عليها من خلال البحث في المكتبات لشرح إنجازات وتحديات إعادة توزيع الثروة في نيجيريا ودور التمويل الاجتماعي الإسلامي في القضاء على الفقر. وتستخدم كذلك منهج التحليل الوصفي والفقهي للأدوار والمساهمات المحتملة لمنصات التمويل الاجتماعي الإسلامي الحالية في إعادة التوزيع المستدام للثروة في نيجيريا. تراجع هذه الدراسة منصات التمويل الاجتماعي الموجودة في نيجيريا من خلال تحليل تفسيرات القرآن والحديث والرؤية العالمية للاقتصاد الإسلامي. تستكشف الدراسة الإمكانيات الاجتماعية والاقتصادية لمجتمع نيجيريا متعدد الأعراق والثقافات والأديان. توصلت هذه الدراسة إلى أن مؤسسات التمويل الاجتماعي الإسلامية في نيجيريا تواجه التحديات المتعلقة بالحوكمة والسجلات الفعالة وإدارة قواعد البيانات والتحديات التنظيمية التي تعيق مبادرات المؤسسات العامة والخاصة لمعالجة إعادة توزيع الثروة والقضاء على الفقر من خلال استخدام التمويل الاجتماعي الإسلامي للزكاة والصدقة والوقف في نيجيريا.

الكلمات المفتاحية: التخفيف من حدة الفقر، إعادة توزيع الثروة، التمويل الاجتماعي الإسلامي، نيجيريا، تحليل فقهي.

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1. Introduction

Nigeria is currently the most populous African country in the world, with over 200 million people. Nigeria's economy is currently the largest in Africa with a Gross Domestic Product (GDP) of about US\$ 400 Billion in 2024. (Marcus Lu, et al., 2024). Notably, Nigeria's emergence as a republic date back to the amalgamation of the northern and southern parts in 1914. It made the country comprise varied ethnic, social, cultural, and religious backgrounds, enhancing the developmental potential of the nation if adequately controlled (Sani Yusuf, 2022).

The country's diversity and characteristics have contributed significantly to Nigeria's growth and development process in the last 100 years, mainly from a religious perspective. Islamic economics in Nigeria can be traced back to the early era of Islam during the Sokoto Caliphate (1804-1903). Shehu Usman Dan Fodio, his student and prominent Islamic scholar taught people Islamic ways of life, particularly the economic aspect (Yusuf, 2022).

However, poverty, inequality, low productivity, and poor living standards are rampant despite numerous natural resources and a large human population in Nigeria. Hence, the collaborative effort of the government and the social financial institutions like *Zakah*, *Sadaqah*, and *Waqf* are a sustainable solution to these challenges (Fa-Yusuf et al., 2021).

The lack of equitable access to Nigerians' financial services affects and reduces the chance of poor people taking advantage of economic opportunities, increasing their earnings, financing their children's education, satisfying essential services, and protecting them against a financial crash.

This study examines how Nigeria can use Islamic social financial instruments *Zakah*, *Waqf*, and *Sadaqah* to enhance people's economic development and alleviate poverty, especially in Nigeria. However, existing literature has proven that Islamic financial systems offer numerous approaches to poverty reduction and provide access to economic needs among the vulnerable poor, especially Muslim communities in Nigeria, and ultimately build a healthy and vibrant economy (Zauro, et al., 2020).

This study contributes to the understanding of Nigeria's economic system and how Islamic social finance can support government efforts to improve infrastructure and increase employment, positively affecting GDP.

The remainder of this paper comprises five sections and references as follows. The first section presents the introduction. The second section reviews recent and relevant literature, while the third section analyses achievements and challenges from an Islamic juristic perspective. The fourth section shows the findings on how the redistribution of resources and Islamic social funding and finance can help in building Nigeria's economy. The last section presents conclusions and recommendations.

2. Literature Review

2.1 Islamic Economic Institution in Nigeria

Islamic Economics can be defined as the knowledge and application of the principles and rules of the *Shari'ah* that prevent injustice in the acquisition and distribution of economic resources to provide financial needs to humankind and enable them to perform their obligations to Allah (SWT) and society (Ibrahim, 2018).

The Islamic economic system's objective is to guarantee that both public and individual wealth are managed to better return on investment through all types

of available platforms guided by the *Shari'ah* principles and guidance and all financial transactions (Bouhedda, et al., 2021).

Muslims must manage wealth and all their financial transactions following the Islamic legal system. Owners are just trustees and not absolute wealth owners, but Allah is the real owner (Jalil, 2021). Few studies have been conducted on various issues related to Islamic economic development in Nigeria.

However, numerous research institutions and centres on Islamic economics have also emerged in Nigeria, and reputable literature on Islamic economics has accumulated in the last three decades, especially with the contributions of universities like Usmanu Danfodiyo University, Bayero University, Kano (BUK), and Sokoto (UDUS), the establishment of the Nigerian Association for Islamic Economics (NAIE) headquarters at BUK (Mustafa, 2015; Ibrahim, 2017).

2.2 Islamic Finance and Poverty Alleviation

Several major *Shari'ah* principles and laws differentiate Islamic finance systems from conventional ones. These principles separate the Islamic financial industry from others by prohibiting usury/interest (*Riba*), banning gambling or profiting from speculations (*Maysir*), uncertainty in commercial transactions (*Gharar*), and all products must be permitted (*Halal*) (Ismail, 2020).

Islamic Finance has experienced rapid growth and development in Africa and Nigeria as well. With its framework and guidelines, Islamic social finance can improve the standard of living of low-income earners because it discourages the exploitation of public wealth and promotes socioeconomic justice. (Abdullahi, 2016).

Some Islamic economists contend that resource scarcity is the principal cause of global poverty (Ahmad, 2018). However, the Islamic economic perspective posits that the world's economic problem is a result of the uneven distribution of available resources. (Aravik, et al., 2021).

This opinion is convergent with the Qur'anic verse that the world is full of abundant resources: "He is the One

Who smoothed out the earth for you, so move about in its regions and eat from His provisions. And to Him is the resurrection 'of all" (67: 15). Nigeria is an example of a country with abundance of human resources (population of 200 million) and natural resources. It is also one of OPEC's leading members (Organization of the Petroleum Exporting Countries) in terms of the amount of crude oil in Nigeria. Surprisingly, 63% of Nigerians live in multidimensional poverty (Nigeria National Bureau of Statistics, 2022).

There are several government policies and interventions on poverty alleviation in Nigeria. For example, in 1972, Gen. Yakubu Gowon introduced National Accelerated Food Production Programme (NAFPP), and in 1976, Gen. Olusegun Obasanjo introduced the Operation Feed the Nation (OFN) programme. In 1979, Alhaji Shehu Shagari established the Green Revolution Programme, while Gen. Ibrahim Babangida introduced Structural Adjustment Programme (SAP) in 1985. (Philomina Atta, 2021). These intervention policies aim to alleviate poverty and empower the less privileged members of the society. However, the finding of the study by Macdonald Silas Echeonwu, et al, (2024) argues that poverty intervention program by President Muhammad in 2020-2023, National Youth Investment Fund (NYIF), seems less significantly effective towards poverty alleviation in Nigeria.

Apart from *Zakah*, *Waqf*, and *Sadaqah*, there are several other Islamic financial products, like *rahn*-based microfinance, and benevolence loans, that can significantly help alleviate poverty in the country. Many countries where Islamic finance concepts have been executed successfully unlock economic opportunities for the masses, improving the poor's socio-economic conditions, such as Malaysia, the UAE, and Qatar. For instance, Islamic finance institutions provide *Shari'ah* compliant financing that boosts the financial inclusion of Muslims who are concerned with interest-based transactions. These institutions also provide benevolence loans to deserving customers (Adil, 2021).

The study of Zauro, N. A. et al. (2020) argues that Islamic finance has a potentially significant impact on a

sustainable economy in the long run by creating employment opportunities by financing businesses and reducing unemployment.

2.3 Economic Justice and Social Inclusion in Islam

Socioeconomic justice is an essential element of Islamic law. *Shari'ah* plays a vital role in promoting socioeconomic justice by emphasizing morality and improving socioeconomic justice in Islamic society (Fa-Yusuf, et al., 2021).

Socioeconomic justice refers to the fair and just relationship between wealthy individuals and other community members. Social inclusion can be evaluated by the extent of people's participation in the circulation of wealth, opportunities for personal activity, and the extension of social privileges to the less privileged members of the society. As part of the fundamental principles of *Shari'ah*, Islam places great emphasis on socio-economic justice, inclusion, and sharing of resources. Islamic finance focuses on financial inclusion by encouraging risk-sharing products that provide a feasible alternative to conventional debt-based financing through Islamic financial instruments for wealth redistribution among society, such as *Zakah*, *Sadaqah*, and *Qard Hasan* (interest-free loans) (Mustika, F. N., et al., 2019).

The entire Islamic economic system is based on the utilization of income taxes (*darā'ib*), royalties (*Khumus*), and poor due (*Zakah*) to establish socioeconomic justice, social welfare, poverty alleviation; and financial inclusion through fair distribution of wealth and available resources among members of society is ensured to promote social welfare, poverty alleviation, and financial inclusion (Aravik, et al., 2021).

However, there are different categories prone to social exclusion in Nigeria, categorized as women and girls; individuals with disabilities; ethnic and religious minorities; migrants and internally displaced persons; children and youth; the elderly; sexual minorities; individuals lacking identification; individuals living with

HIV; and individuals residing in diverse locations (Birchall, 2019).

The World Bank's updated poverty line threshold in consideration of the new purchasing parities, people living below \$2.15 are considered in extreme poverty situations (The World Bank Group, 2023). According to Busari S. A. et al. (2023), poverty is most likely to spread from one generation to another, in the absence of sustainable socio-economic intervention for the vulnerable members of the society. Thus, Islam distinguishes between *Al-Fuqarā'* and *Al-Masākin*, representing the poor and needy as outlined in the Quran (Q9:60).

Al-Fuqarā' refers to the poor who have a source of income or regular job but are not stable or enough, and the revenue does not reach the minimum taxable wage income because they own probably half or less of their basic needs (Busari, et al., 2023).

However, they cannot afford to beg, and they may be mistakenly considered rich (Q2:273). *Al-Masākin* also refers to the poor who are gainfully employed but earn less than full basic needs. They cannot afford to beg, and may be mistakenly considered lazy and unwilling to work harder (Q93:10). Islam defines poverty as a lack of resources and income to live a comfortable average life, including a lack of adequate or steady income, food, vital human rights, opportunities to obtain assets, and societal acceptance (Salleh, 2017).

Islam permits the acquisition of wealth through all legitimate business, trade activities, and industries. It also seeks to defend the poor's rights and the less privileged society, mainly through the *Zakah* and *Waqf* systems. *Zakah* is significantly meant to purify both the givers and the beneficiaries. It purifies the wealthy from greed and selfishness, while recipients are purified from envy, hatred, and anger, promoting mutual love, cooperation, and unity (Mustika, F. N., et al., 2019).

Waqf (endowment) is a charitable, permanent, irrevocable dedication of a portion of one's wealth – in cash or property – to Allah (SWT) (Ali, K. M., 2014). Once a property is on a *waqf*, it cannot be donated, inherited, or

sold. It is owned by Allah (SWT), and the proceeds of the property of *waqf* should be channelled to charity course based on the *Hadith*: “*Donate its original amount in charity. It cannot be sold, given away, or inherited, but its proceeds is spent*” (al-Bukhari, 2018, no. 2764).

Waqf is of different types according to Lawal, I. M., & Ajayi, J. M. A. (2019). Firstly, Religious *Waqf* which aims to improve society's social welfare, assist and provide religious needs, and reduce the direct expenses of providing religious services and activities (such as mosques and cemeteries). Secondly, Philanthropic *Waqf* which is a type of *waqf* used to support the poor in society, such as providing public amenities for the needy (e.g., free health care, schools, and libraries). Thirdly, Family *Waqf* which is a type of *waqf* still belongs to the owner and their descendants, but the community can utilize it based on its availability.

Nevertheless, *Waqf* and *Zakah* serve as social finance mechanisms aimed at attaining social equity. *Zakah* and *Waqf* funds can subsequently improve socioeconomic inclusion and encourage development. However, wealth hoarding is prohibited and discouraged in Islam (Yakubu, et al., 2021).

The government can employ wealth through *Zakah* and *Waqf* to improve and invest in income-generating development projects to empower the vulnerable African population. Moreover, *Zakah* and *Waqf* can significantly empower poor masses, thereby increasing the percentage of *zakatable* members of society. Although many *Zakah* foundations have been established in Nigeria, most wealthy Muslims in Nigeria still do not pay *Zakah* due to the lack of legal enforcement, as available in government tax (Umar, A., & Aliyu, S. 2019). On the other hand, *Sadaqah* as a voluntary charity seems more popular individually and even in the Mosques. The Mosque Box (*Bayt al-Mal*) is commonly used in seeking *Sadaqah* for religious, social, and economic empowerment of the vulnerable members of the society (Busari et al., 2023).

3. Hindrances in the Collection of Zakah, Waqf, and Sadaqah in Nigeria

Several factors hinder the collection of compulsory and voluntary charities in Nigeria, even though Muslims are the second majority in Nigeria. The following is a discussion of the setbacks impeding the collection of *Zakah*, *Sadaqah*, *Waqf* properties, and public project funding (Mahadi Ahmad, 2019):

3.1 Awareness Challenge

There is limited awareness among the majority of Muslims and Philanthropists in Nigeria about the significance of establishing formal institutionalized *Zakah*, *Sadaqah* and *Waqf* funding (Yusuf, T. O. et al., 2021).

With the global financial crisis during and after COVID-19 and the alarming poverty rate in Nigeria, a report from The World Bank Group (2022) reveals that 40% of Nigerians live below the national poverty line, with many, especially in the north, lacking education and basic infrastructure such as electricity and clean water. Islamic charitable institutions are needed to reduce the social and economic hitches confronting Muslims in Nigeria (Bugaje, 2016).

Many Muslim philanthropists spend their wealth in other directions because of little awareness and a lack of trust in the existing charitable organizations (Mahdi Ahmad, 2019). There remains an incessant quest about why Muslim scholars have not been able to edify the rich on the importance of *Zakah*, *Waqf*, and buying Islamic bonds and their contributions toward eradicating poverty in Nigeria.

The empirical study of Mahdi Ahmad (2019) suggests that there are concerns about trust and confidence among potential *Zakah* payers and *Waqf* donors. Some of them disapprove the government involvement in appointing officials, preferring political choices. Public perception is overlooked in committee appointments, impacting efforts to promote *Zakah* and *Waqf* knowledge. The ignorance of Muslim philanthropists and individuals with surplus wealth on the importance of *Waqf* can be ascribed to Muslim

scholars' self-centeredness and failure to preach the importance of *Waqf*, *Sadaqah*, and public funding in their mosques, during Friday sermons, and Islamic functions and events (Yakubu, et al., 2021).

If Muslim philanthropists in Nigeria are knowledgeable and informed of the importance of collective or joint efforts towards the collection of charities and contributing to the needy, the gathered properties would be diverted to a suitable quarter, and it will be overseen by qualified and capable administrators nationally and internationally (Fa-Yusuf, et al., 2021).

3.2 Issues of Legal Framework for *Zakah*, *Waqf* and *Sadaqah*

Most of Nigeria's states do not have a state-backed *Zakah* law. In fact, only eight states (Zamfara, Yobe, Niger, Kebbi, Borno, Jigawa, Kano, and Bauchi) from northern Nigeria out of 36 states, do have state laws for the management, collection and disbursement of *Zakah* and other Islamic donations.

Moreover, the idea of *Zakah* obligation, as characterized by state *Zakah* laws, differs from state to state. In some states, *Zakah* is obligatory by legislation, while in others, individuals voluntarily pay *Zakah*. In states where *Zakah* is mandatory, their laws are arranged for implementation actions against defaulters, and the inability to pay accompanies judicial consequences. The obligation of *Zakah* on *zakatable* Muslims is implemented in *Shari'ah* states like Bauchi, Jigawa, Sokoto, Kano Niger, Zamfara, and others (Dasuki, 2022).

However, there is still leniency which does not allow these institutions to perform legal actions against defaulters even in the *Shari'ah* states.

3.3 Issues of Transparency and Accountability

The lack of proper implementation of *Zakah*, *Waqf*, and *Sadaqah* from reputable platforms has jeopardized public trust in Islamic social finance in Nigeria (Ali, K. M., 2016).

Effective implementation will elevate people's trust and reliance on Islamic social finance if the

management in charge effectively implements a proper channel for collecting and disbursing Islamic charities and public funds in line with *Shari'ah* principles. Therefore, the administration must be well-qualified and capable of bearing the responsibility of its duty with transparency (Ahmad, M, 2019).

Some states (such as Sokoto, Kebbi, and Kano) have a reasonably cooperative record-keeping system that provides general information and statistics on the collection and disbursement of *Zakah* and *Waqf*. However, most states with many *Zakah* payers and *Waqf* donations still lack a proper organization to manage these funds, and these institutions still lack steps such as the publication of annual reports, transparency in the collection, and disbursement of the available funds. As a result, suspicious minds of thousands of wealthy Muslims in Nigeria only pay their compulsory and voluntary Islamic charities to these organizations if used for the right cause (*Asnaf Zakah*). Some institutions (such as AL-HAYAT Relief Funds) still have a notable impact on Muslim society; however, there is still a vast deficiency in trust, accountability, and transparency when considering the number of qualified *Zakah* payers who pay through the institution (Abubakar, A. M. 2014).

Since there are no government supervisory bodies or any independent legal or regulatory institution that monitors all these organizations against corruption or inappropriate use of the funds, the lack of accountability and transparency might persist in the system.

Some of the Islamic social finance organizations in northern Nigeria are doing well at the emirate and state levels. *Zakah* and *Waqf* collection and distribution have been considered fair in some states like Sokoto, Kano, Zamfara, Bauchi, Kebbi, Jigawa, and Gombe. Since some of these *Zakah* commissions are backed by the State law, thus, they have official governance covering the publication of annual reports or periodical distribution of funds to beneficiaries. However, eligible *zakatable* people still have trust issues regarding the administration and efficacy of the commission.

4. Performance Survey of Islamic Social Finance Institutions in Nigeria

The Performance Survey of Islamic Social Finance Institutions in Nigeria assesses and evaluates the effectiveness and efficiency of Islamic social finance institutions operating in the country. This survey explores data from the websites of selected social finance institutions, *Zakah*, *Waqf*, and other Islamic financial instruments, to provide insights into their activities and their impact on socio-economic development, as well as identifying areas for improvement in their operations.

Descriptive Sample.1	Dar Al-Awqaf, Lugbe, Abuja Federal Capital Territory, Nigeria ¹
Objectives.	The primary purpose is to construct, maintain, and renovate mosques in Nigeria and beyond
Activities/ Impacts	A mosque renovation of the Igbeyinadun Mosque located at Orile-Iganmu, Lagos, Nigeria, 2 million naira (\$4,500). Ramadan Feeding Program (RFP) for 2021 for five jurisdictions (Abuja, Lagos, Ilorin, Suleja, and Nassarawa).
Challenges	No available record for collection through the website, but currently, they are using social media to persuade donors during the Ramadan month. The true meaning and objective of <i>Waqf</i> projects are still at the infant awareness stage among Nigerian Muslims. No available platform to generate cash <i>Waqf</i> through crowdfunding. The influx of donations is only possible during the holy month of Ramadan because the majority of Muslims in Nigeria believe donations are only liable during Ramadan. Funding and transparency are the major challenges here because it is a non-government organization by individuals.

Descriptive Sample.2	Zakat and Sadaqah Foundation, Anthony Village, Lagos State, Nigeria ²
Objectives	Operates with the primary objective of delivering quality <i>Zakah</i> assessment,

	collection, and distribution services to private and public individuals and corporate organizations, providing humanitarian and welfare services to humanity and Muslims in particular.
Activities/ Impacts	Collects <i>Zakah</i> through personal communication by field staff and individuals and cooperates with entities' recommendations, while others use online transfers of funds. The foundation uses appraisal forms filled out by a prospective <i>Zakah</i> payer to assess if the assets possessed have met the <i>Nisab</i> (the minimum wealth for which <i>Zakah</i> can be paid) and the sum to be paid. In 2019 and previous years, the foundation extends its distribution to 21 states out of 36 states in Nigeria.
Challenges	Many <i>zakatable</i> individuals hesitate to reveal their true assets, rendering determining their <i>Zakah</i> difficult. In addition, inadequate human resources to cover the large areas covered is another issue. The foundation is a non-governmental organization and have limited funding from individuals and corporate bodies.

Descriptive Sample.3	Nasfat Agency for Zakat & Sadaqah (NAZAS), Shangisha, Lagos State, Nigeria ³
Objectives	NAZAS collects and distributes <i>Zakah</i> , <i>Sadaqah</i> and <i>Waqf</i> ; provides Ramadan Iftar; collects <i>Kaffarah</i> for breaking oaths/vows, intercourse during menstruation, etc.; conducts Will Execution; and does <i>Zakah</i> calculations.
Activities/ Impacts	No available data for recent years on the NAZAS website on the amount collected. However, from the available data for previous years, we can predict the collection keeps increasing (looking at the over 20 million naira increase from 2014 to 2015 for socio-economic empowerment and interventions).
Challenges	Their collection and disbursement remain within the NGO Islamic Society (Nasfat).

Descriptive Sample.4	Muslim Welfare Fund, Ikeja, Lagos State, Nigeria⁴
Objectives	The primary mission of MUWELF is to mobilize funds from capable and willing Muslims and national and international organizations and disburse the same funds to all qualified needy people, with a focus on educational, healthcare, and economic empowerment matters.
Activities/ Impacts	The NGO uses an online platform and fintech mechanism to collect donations, but there is no published data on the website to indicate its income and expenses on projects.
Challenges	Limited awareness among <i>Zakah</i> payers and reluctance is a hindrance to <i>Zakah</i> collection and disbursement.

Descriptive Sample.5	AL-HAYAT Relief Foundation, Ijebu-Ode, Ogun State, Nigeria⁵
Objectives	It aims to Promote all the pillars of Islam, the Islamic economic system by giving out financial relief to registered members on an interest-free basis, welfare services to members, rendering financial assistance to the needy through <i>Zakah</i> , and carrying out different beneficial schemes for members.
Activities/ Impacts	The table and graph from their websites show a rise in the number of <i>Zakah</i> collected year after year, and <i>Zakah</i> beneficiaries were dispersed over time. Mainly members, specially those who have wealth that reaches <i>Nisab</i> , are the sources of this fund. More philanthropists are needed, and rich people must be guided for paying their <i>Zakah</i> . This will help in reaching out to more poor and needy beneficiaries. Therefore, the improvement of their social welfare through financial or kind support is the foundation's primordial importance.
Challenges	Information about its disclosure is limited, and only a few years are available on its website. Its operation is also limited to southwest Nigeria.

Descriptive Sample.6	JAIZ Foundation, Utako District, Abuja, Nigeria⁶
	was established by Jaiz Bank Plc on the 2nd of April 2012, and registered under Part C of the Companies and Allied Matters Act 2004 with registration number IT/51511 with its corporate Head Office in Abuja, Nigeria
Objectives	JAIZ Foundation is a charitable, non-profit, and non-governmental organization that provides socio-economic empowerment. It partners with local and international development agencies to embark on impactful projects to contribute to the socio-economic development of the poor and vulnerable people in society. It also provides support in eradicating hunger, enhancing youth and women's economic empowerment, and providing education, health, environment, potable drinking water, and sanitation.
Activities/ Impacts	-Provides regular livelihoods/economic empowerment of the poor and vulnerable. -Entrepreneurship Development project. -Agricultural intervention – facilitation of microcredit (Mudarabah & Qard al-Hassan). -WASH (Water, Sanitation, and Health). -Education (Human Capital Development). -Humanitarian Intervention (Disaster/Emergency Relief, IDPs). -Management and administration of Islamic Social Finance instruments (<i>Zakah</i> , <i>Sadaqah</i> , and <i>Awqaf</i>): Its assessment, collection, and distribution. -A Disbursement of N5 million <i>Zakah</i> fund in 2018 (Islamic Finance.de, (2018). JAIZ Charity and Development Foundation 2019 disbursed 6 million naira to 85 indigent people in Lagos State. (70% for education, 22% for empowerment, and remaining for health intervention).

Challenges	Insufficient data is available on its websites except for information from newspaper publications.
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Descriptive Sample.7	Zakat and Hubsu Commission, Kano State-Nigeria⁷
Objectives	It is established by the state law in 2003, following the re-implementation of <i>Shari'ah</i> in the state. It regulates <i>Zakah</i> and <i>Hubusi (Waqf)</i> . (Section 4(b and c) to collect and disburse <i>Zakah</i> to deserving beneficiaries).
Activities/ Impacts	- <i>Zakah</i> distribution to the deserving needy and poor. -Administration, Staff salary, and Welfare. -Record Planning; keeps documents and records and responds to inquiries. - <i>Fatawa</i> and Enlightenment; research on <i>Zakah</i> and <i>Hubusi</i> and responds to related questions. -Annual Programs Preparation Committee designs year-round programs for the Commission.
Challenges	This commission is under the purview of the State Ministry of Justices with complete state recognition, and funding. However, the <i>Zakah</i> funding seems not enough as the headcount poverty rate in Kano suggests that about 51% of the population of Kano is poor. According to <i>Zakah</i> and <i>Hubsu</i> Commission, Kano is committed to creating awareness among <i>zakatable</i> people to complement the government donation for the beneficiaries ⁸ .

Descriptive Sample.8	Zakat and Waqf Foundation, Gombe State, Nigeria⁹
Objectives	Aims to promote charity and Philanthropic attitudes among the people to empower the needy and the poor people.
Activities/ Impacts	Provides start-up capital for the less privileged; facilitates boreholes and well water for households in a neighborhood; gives scholarships for needy students and medical assistance for vulnerable people; and promotes awareness about the need for charity.

Challenges	The foundation is newly established in 2018 with limited donors. No record of a state sponsor or corporate donation on the website. Perhaps more efforts are needed due to the poverty rate of about 62.31% of the population.
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Descriptive Sample.9	Sokoto State Zakat and Endowment Commission, Sokoto State, Nigeria¹⁰
Objectives	Aims to become a formidable <i>Zakah</i> and <i>Waqf</i> Institution, that caters to the less privileged, and vulnerable people, in Sokoto State and Nigeria at large.
Activities/ Impacts	Shelter homes, Health, Education, Empowerment, and reasonable help for needy people.
Challenges	Despite state and business conglomerate support, funding raised seems insufficient to cater to the needy and the poor in the state and Nigeria as a whole. According to Statista ¹¹ , Sokoto state has the highest poverty rate with about 87.73% of its total population.

4.2 Juristic Analysis and Discussion

There have been growing contributions from Islamic social finance institutions in Nigeria in recent years. The data above show that most existing ISFs in Nigeria are registered as faith-based NGOs to complement the government's social and economic efforts, especially among Muslim communities.

Observations show that there are several unregistered faith-based NGOs for Islamic social finance in Nigeria. The report shows that ISF funds have been used in the construction and renovation of mosques in Nigeria¹². This is in line with the higher objective of *Shari'ah* in the protection of religion;¹³ explains that one of the significant roles of *Shari'ah* is to protect the structure and elements of the family, whereby the establishment of the family and maintenance of the progeny is sufficiently catered for by the *Shari'ah* rule of law.

However, Islamic social finance institutions lag in their responsibilities because of inherent challenges, such as lack of record keeping and lack of awareness among *zakatable* individuals. Allah mentioned in the Qur'an that:

“O believers! When you contract a loan for a fixed period, you commit it to writing. Let the scribe maintain justice between parties. [Al-Baqarah: 282]. According to At-Tabari, (2001), the command to commit to written financial deals is not limited to forward contracts and debt but rather includes a collection of charitable funds too. The objective of the Lawgiver in record keeping is to maintain justice, fair dealing and forestall challenges of dispute during disagreement of terms in contract and debt (Ibn Kathir, 1997).

Although there is no specific national *Zakah* index to measure the performance of management in Nigeria, the emergence of the association of *Zakah* and *Waqf* operators in Nigeria (AZAWON) has a ray of hope to improve awareness and government recognition, especially for tax relief to boost the interest of *Zakah* payers. The association is likely to galvanize existing NGOs towards unified international best practices in *Zakah* collection and disbursement. This effort may improve efficiency and transparency through the effective use of online platforms and modern fintech. The table shows that virtually all faith-based NGOs for *Zakah*, *Sadaqah*, and *Waqf* are involved in teaching activities, but are insufficient.

Considering the inherent lack of awareness among Muslims in Nigeria about understanding the meaning, significance, and difference between *Zakah*, *Sadaqah*, and *Waqf*, there might be a dire need to increase the information and enlightenment avenues for teaching people about *Zakah*, *Sadaqah*, and *Waqf*. The data show that almost every NGO has similar challenges in terms of limited government support and regulations to promote the socioeconomic roles of *Zakah*, *Sadaqah*, and *Waqf* in Nigeria. Allah (SWT) commands that: “Take, [O, Muhammad PBUH], from their wealth a charity by which you purify them and cause them increase and invoke [Allah's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing” [Tawbah:103].

Also, the observed data from existing Islamic social finance institutions in Nigeria show that the

majority are locally based. There is seldom availability of faith-based NGOs collecting and disbursing *Zakah*, *Sadaqah*, and *Waqf* across the country's six geopolitical zones. Since poverty is one of the challenges facing socioeconomic stability in Nigeria, it is pertinent to explore the potential of Islamic social finance in Nigeria.

Allah (SWT) encourages cooperation in goodness and faith by saying: “Cooperate in goodness and righteousness, and do not cooperate in sin and transgression...” [Al-Maidah:2]. *Tafsir Jami' al-Ahkam* explained that Allah (SWT) commanded believers to cooperate on faith to seek pleasure and cooperation on goodness for the benefit of humanity to seek the pleasure of Allah (SWT). In another vein, the goodness of the obligation and recommendations of Allah (SWT) and *Taqwa* are the care and consciousness of the obligation (Al-Qurtubi, M. A., 2006).

Although there is evidence of an existing Islamic social finance foundation in Nigeria, performance data shows that there is a lack of auditing of the financial activities of income and expenditures based on international Islamic best practices from organizations such as Accounting and Auditing Organizations for Islamic Financial Institutions (AAIOFI). AAIOFI's role in Bahrain is to maintain and promote Shariah standards for Islamic financial institutions (AAOIFI, 2017).

According to Mohammad Saiful Islam & Mohd. Shaifulbahri Abdullah, (2015), throughout the history of Islam, the concept of *Hisbah* and the duty of the *Muhtasib* in auditing, overseeing, and regulating markets and institutions to protect consumers from deceitful practices in the market can be traced back to the time of Prophet Muhammad (peace be upon him) and the initial four caliphs. These obligations of advocating for what is right and preventing what is wrong are inherent in the teachings of the Qur'an: “Let there be a group among you who call 'others' to goodness, encourage what is good, and forbid what is evil—it is they who will be successful” [Maidah: 104].

Although the *Zakah*, *Waqf*, and *Sadaqah* institutions in Nigeria have gained prominence in recent

times, especially in the Muslim-dominated parts of the country, however, the high rate of poverty among Muslims suggests little and limited effect of the Islamic social finance intervention programs for the vulnerable members of the society.

For instance, in economic intervention to alleviate poverty, many people have received financial help from these institutions (Habeebah Simisola Fa-Yusuf, et al., 2021), but the economic empowerment of creating financial inclusion, soft loans, and job creation is low compared to the present unemployment rate in Nigeria at about 40% due to an increase in the number of job seekers (PUNCH, (2023).

According to the Exegesis of Al-Baghawī, (1997), Allah prohibits the act of domination of wealth among the rich, authority, and the rulers without equitable circulation with the poor, the needy, and the vulnerable members of the society. Doing so, Allah command thus: "As for gains granted by Allah to His Messenger from the people of 'other' lands, they are for Allah and the Messenger, his close relatives, orphans, the poor, and 'needy' travellers so that wealth may not merely circulate among your rich. Whatever the Messenger gives you, take it. And whatever he forbids you from, leave it. And fear Allah. Surely Allah is severe in punishment" [Hashr: 7].

The complementary role of Islamic social finance is to provide alternative and additional social security to the less privileged through free medical services, food, accommodation, and marriage assistance to youth. However, little is felt regarding social justice and human rights among Muslims, as suggested in a previous study (Oladapo, I. A., & Ab Rahman, A. 2018). The educational intervention role of *Zakah*, *Sadaqah*, and *Waqf* institutions, especially the state-based commission in Northern Nigeria, has been very impactful in recent times (Abdullahi, Shafiu Ibrahim, et al., 2022), but stack records suggest that out of the 65.1% of the national literacy rate in Nigeria, most states in the northern parts of Nigeria with majority Muslims are below the national literacy rate except the federal territory of Abuja, while almost all the southern states are above the national literacy rate (Amoo, 2018).

5. Conclusion

Islam permits the acquisition of wealth through all legitimate business, trade activities, and industries. It also seeks to defend the poor's rights and the less privileged society, mainly through the *Zakah* and *Waqf* systems. The institution collecting these charities must deliberately deal with trusted funds from *Zakah*, *Sadaqah*, and public funds, and allocated properties for *Waqf*. This study contends that the appropriate use of Islamic social finance mechanisms like *Zakah*, *Sadaqah*, and *Waqf* can help the government in alleviating poverty in Nigeria. The Islamic social finance organizations in charge of collecting and disbursing should also invest all these funds into a more lucrative business to benefit Muslims and non-Muslims in Nigeria. This can be based on the productive *Zakah* approach proposed by Imron et al. (2022). Muslim philanthropists should manifest their wealth through these institutions to be used by the needy and the poor in Nigeria.

The researcher proposes the need of Nigeria's higher education institutions to employ its curriculum mechanism in addressing the issue of limited comprehension regarding *Zakah*, *Sadaqah*, and *Waqf*.

There is a drought of knowledge on social finance's philosophy and objectives in our higher institutions triggering the dire need for equipping graduates from the Department of Islamic Studies and Centre for Islamic Legal Studies with adequate knowledge of social finance instruments. Therefore, our university's Islamic knowledge departments and other departments, such as public administration and management, should design, teach, and encourage students in *Zakah* administration and management. More research needs to be conducted by academicians and organizations on modern Islamic social finance innovation to develop more ways to collect and channel funds that will notably affect the poor and needy. Some statistical institutions can help Islamic social finance measure and conduct household surveys to establish community needs. Hence, *Zakah* and *Waqf* collection and disbursement are no longer disbursed blindly to eligible individuals, but by poverty and income

data from a reliable organization such as the National Bureau of Statistics (NBS) in Abuja and Oxford Poverty and the Human Development Initiative (OPHI).

The government of the *Shari'ah*-implementing states and the *Zakah* and *Waqf* institutions need to legislate regulations that encourage the payment of *Zakah* and *Waqf* (such as tax exemption for *Zakah* payers) to relieve wealthy Muslims from paying a double tax (*Zakah* and government tax) just like Malaysia (Dodik Siswantoro, et al., 2022). In addition, they need scholarly and expert revisions to re-invest *Waqf* funds in a more lucrative channel to encourage more investors. Nigeria, as an emerging African largest economy with foreseeable future, cannot afford to lose any opportunity to help in the realization of economic growth and recovery from the post-pandemic financial crisis. Countries like Malaysia are currently using Islamic social finance to heal the economy, such as investment in the recent issuance of the *Sukuk Prihatin* and other public funds that generate funds from the public with a surplus to help the government in economic development. The Central Bank of Nigeria should work with the Finance and Debt Management Office Ministry to develop the required infrastructure to expand Nigeria's *Sukuk* market through social finance sources, such as *Waqf*. They should also welcome corporations from other countries that are more advanced in creating policy spaces for the socially responsible *Sukuk* (*Waqf Sukuk*) market in their financial entities.

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