



## **BOOK REVIEW**

### **COVID-19 AND ISLĀMIC SOCIAL FINANCE**

*by M. Kabir Hassan, Aishath Muneeza, and Adel M. Sarea, Routledge, 1<sup>st</sup> Edition, 2021, 264 pp, ISBN978-1-003-12171-8*

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The United Nations (UN) 2030 Agenda seeks to accomplish 17 Sustainable Development Goals (SDGs) for a sustainable, equitable world (United Nations 2020). However, the COVID-19 pandemic has significantly hindered progress, reversing poverty reduction efforts for the first time in decades (United Nations 2021b). This reversal has driven millions into poverty, reaching levels not seen in over thirty years (United Nations, 2021; World Bank, 2020). Data indicates that extreme poverty rose from 8.23% in 2019 to 8.82%, with a worst-case scenario forecasting 9.18%, marking the first increase in global extreme poverty since 1998 (World Bank 2020).

*Islāmic Social Finance (ISF) mechanisms, particularly zakat and waqf, have the potential to ease the burdens experienced by impacted communities (United Nations 2021a). Historically, ISF has contributed significantly to alleviating poverty and promoting development in Islāmic society (AbdulKareem et al. 2021). Zakat, with rapid disbursement capabilities, offers immediate financial aid to those in need (Qistina and Sim 2021). On the other hand, waqf supports long-term development goals, especially in education and agriculture, to address evolving socio-economic challenges (Sapuan and Zeni 2021). Together, these mechanisms build a robust framework that addresses urgent crises and fosters sustainable socio-economic stability.*

COVID-19 and *Islāmic Social Finance* is the first book of its sort that aims at filling in gaps in the literature on this subject. The editors, M. Kabir Hassan, Aishath Muneeza, and Adel M. Sarea did a great job of presenting the different nations' experiences and ISF

strategies in mitigating the COVID-19 impact. The book is divided into three parts; the impact of COVID-19 on the poverty level and the role of ISF in response to the pandemic; the ISF innovations; and COVID-19 influence on *Islāmic* microfinance.

The first part of the book deliberates on how COVID-19 affects the economy, social life, as well as environment. Governments worldwide reacted by offering stimulus packages such as subsidies, unemployment benefits, tax reliefs, and handing out cash aid packages as well as basic necessities in kind to those badly impacted by lockdowns and job loss. Some countries even banned exports of food, medical, and hygiene goods to ensure enough local supply.

Nonetheless, the crisis has unlocked the full potential of ISF, especially *zakāt*, *sadaqah*, *wāqf*, *takaful*, and microfinance (*qarḍul-ḥasan*). Countries' success stories on how *zakāt* and *sadaqah* assisted in mobilizing funds to reach those in need in that critical period, were shared. The book includes articles discussing the new emergence of other ISF tools such as Sustainable Development Goals (SDGs)-linked *sukūk* such as green *sukūk* and *Ṣukūk Ihsan*, that have been introduced in Malaysia. It was also proposed that a 'pandemic *sukūk*' be issued to overcome the financial struggles due to COVID-19. Turkey, additionally, suggested a Refugee *Ṣukūk* as an appeal to the world, to assist the country to fund the rising cost of handling refugee camps.

Part I also incorporates two articles that study country-level financial inclusion and financial capacity indicators. The findings showed that low-income groups were excluded, and the authorities in 121 countries were not in favor of the low-income groups. Based on the findings, the gaps in inequality and poverty will not be reduced; hence providing opportunities for ISF to address the gaps.

The first part also includes Iran's alternative crisis management as an example of how a country may adopt a different approach and succeed. Despite the economic and medical sanctions faced, Iran has managed to overcome the virus spread. This success is credited to the bottom-up *Islāmic* social finance and faith-based civic engagement implemented that centers on *jihād*, defense, and martyrdom which is unique to Iran.

In Part II of the book, chapters show that despite its adverse effects, COVID-19 has become a catalyst for new priorities, values, and lifestyle habits in society. This part discusses ISF participation in disruptive technology such as digitalization, automation, supply chain consolidation, and inventions of exciting new models. Fintech-based solutions such as the *zakāt* management system, blockchain, Internet of things (IoT), *Islāmic* P2P lending, crowdfunding, and artificial

intelligence (AI) are the new ISF models. It is suggested that ISF's role in this disruptive technology will ensure ISF stability and sustainability, therefore confirming the future of ISF as an alternative financial system.

The book further illustrated how technological advancement created benefits for both *zakāt* donors and recipients. Donors can easily locate, analyze, and finance charity projects using e-wallets, online banking, and so on. Organizations can save time and money when reaching out to contributors, and this will also improve transparency because of increased reporting and communication. Project management, processes, and monitoring can all be enhanced using technology. Most crucially, digital technology may assist social finance beneficiaries and their communities by improving accessibility and distribution.

This part of the book proposes that the *wāqf* model of *Al-Rajhi* be replicated and adapted by *Muslim* philanthropists to reduce poverty caused by COVID-19. I find it odd, however, that the Al-Rajhi Foundation model was included in this part of the book as an ISF innovation to combat the COVID-19 effect since the foundation has long been established and the model has existed for some time. Nevertheless, it was proven that the model has helped many in need.

The third and final part of the book deliberates on how COVID-19 impacted *Islāmic* microfinance, a subcategory of *Islāmic* finance targeted at community welfare and financial inclusion of the poorest in society who are excluded from bank financing. This part starts by discussing the lack of funds faced by the main cooperative institution in Indonesia, *Bait Maal Wat Tamwil* (BMWT) due to COVID-19. Members' activities have been disrupted, resulting in deferred loan repayment besides withdrawal of savings for immediate survival needs. The article authors offered several proposals to resolve BMWT liquidity problems which can also be adopted by other *Islāmic* cooperatives.

In Brunei *Islāmic* microfinance had assisted the Micro, Small, and Medium Enterprises (MSME), which are more vulnerable than SMEs, especially during the COVID-19 pandemic. Similarly in Nigeria, the interest-free loan provision to SMEs enabled them to access more loans and survive the pandemic. An interesting point in the article on Nigeria is that understanding of *Islāmic* microfinance benefits was high among customers of all microfinance, although the number of *Islāmic* microfinance institutions is very small. This shows that *Islāmic* microfinance has a very promising future in Nigeria.

Pawnbroking was also discussed as one of the *Islāmic* microfinance tools made more popular during the pandemic. It was one of the quick solutions for ready cash needed to buy necessities and medications, particularly in times of crisis. Malaysia is an example of how the *Islāmic* pawnbroking institution *Ar-Rahnu* can be a model of successful *Islāmic* pawnbroking.

Overall, I find this book to be very informative and insightful. It provides an overview of the different types of ISF, their origins, objectives, and their applications in various countries. One drawback of the book, however, is that it lacks a detailed analysis of each ISF tool or institution. Consequently, readers who are primarily interested in understanding how each tool works in specific contexts may find the book wanting.

Given the existing differences between *Muslim* countries, replicating and adopting a particular model effective in one country can be difficult in another, especially without having much initial information and background knowledge. A detailed discussion on perhaps, the history and development phases of ISF, level of government support and involvement, and information technology as well as infrastructure readiness can provide the background needed to better evaluate the suitability of the model to be replicated.

Since this book is a compilation of articles, repetition of similar facts in a number of articles is unavoidable. Nevertheless, the authors provide a good balance of article selection between discussing theoretical concepts and providing examples from real-world cases.

I would recommend this book to anyone interested in ISF and believe it will be of great use to academics and practitioners working in the field.

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