

Editorial Note

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Guest Editors

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Assalamualaikum wrt wbt

In the name of Allah, the Most Compassionate and the Most Merciful. All praises be to Allah SWT for the completion and publication of this Special Issue of the Journal of Islamic Finance (JIF). We wish to express our appreciation to the editorial team of the JIF for their dedication and hard work to ensure the success of this Special Issue 2021 and heartiest congratulation for that as well.

This Special Issue is to honour and commemorate the success of the International Conference on Islamic Social Finance: Pandemic Crisis and Possible Solutions (ISFPCPS 2020) which was held online on 29th - 30th September 2020, organized by the IIUM Institute of Islamic Banking and Finance (IiBF), International Islamic University Malaysia. We would like to put on record our gratitude to the conference sponsors for their generous contribution, namely Mori Hamada & Matsumoto, Bank Kerjasama Rakyat Malaysia Berhad, and Bank Islam Malaysia Berhad. Their contributions have enabled a smooth organisation of the conference.

The Covid-19 pandemic has brought an unprecedented crisis and the world is still struggling for solutions to deal with the crisis. The effect is very broad-based be it on social, health, way of life and economics. The business sector is particularly affected, especially the micro and small enterprises. Being into this unprecedented situation, the roles of Islamic social finance in offering possible solutions to the crisis need to be explored, studied, and discussed. The conference therefore was designed to address these critical issues facing the global community by offering ideas intended to help policy makers to draw suitable and relevant policies that may lead to sustainable solutions to these issues. Several recommendations from the Islamic social finance, involving activities such as zakat, sadaqah, waqf, ta'awun (cooperation-based activities) such as qardh al-hasan and kafala (guarantee) and Islamic microfinance solutions are put forward as efforts to response to this crisis.

Realising this issue, the IiBF believed that it is a high time for the Islamic finance industry to revisit the potentials of Islamic social finance. Apart from its undeniable role in the industry, Islamic social finance can strive further, if such potentials were deliberated upon. Islamic social finance instruments have high potentials to alleviate poverty and can bridge the economic gap between the rich and poor. Therefore, it is the responsibility of the academics as well as the industry players to gather upon and discuss this matter in the ISFPCPS 2020 conference. The potentials of such instruments were discussed under ISFPCPS 2020 conference's themes including Zakat, Green Microfinance, Sukuk and Cash Waqf, Islamic Financial Literacy, Halal Financing, Islamic crowdfunding, and Retirement Awareness and Profit/Gain from Islamic Law of Contract. This intellectual deliberations of the ISFPCPS 2020 are considered as precious documentations of first hand experiences of the authors on the impact of the pandemic crisis on various aspects including social, economic and financial, being preserved for future references, in this JIF Special Issue 2021.

Under the first theme of **Zakat**, authors Aditya Hadid Riyadi, Abdulkadir Abdullahi Sheik Abdulkad, Bandar Mohammed Saif, Hawa Ahmed Takow, and Ashurov Sharofiddin examined the effect of utilizing zakat fund on financing production to achieving social welfare in Indonesia. The finding of the study revealed that the management of productive zakat funds in Indonesia is still not unsatisfactory, as evidenced by the low distribution rate of zakat funds. The study recommends that zakat and Islamic microfinance institutions can work together in the management of productive zakat to reach the targeted poor and alleviates poverty, thus enhancing the community welfare. In another paper, authors Ghafoorzai Shaiq Ahmad, Mohammad Bilal Khan, Ibadurrehman Patel, Damkar Mohammed Shehbaz, and Ashurov Sharofiddine aimed to develop a system that will strengthen zakat recipients' healthcare through coordination between waqf and zakat institutions. It is found that the zakat and waqf can be used for investment purposes; however, return from these investments should be used for the intended purpose and, i.e., to ensure social well-being, especially of the marginalized groups of society. The proposed model holds significance in improving the healthcare of zakat recipients and leading the society towards achieving social well-being and better living standards. The study's results may enhance the policymakers' understanding and contribute to better utilization of zakat and waqf assets. Besides, it will also enhance zakat collection and distribution and contribute to waqf and zakat funds' efficient management.

For the second theme of **Microfinance**, authors Md Nazim Uddin, Salina Kassim, Hamdino Hamdan, Norma Md Saad, and Nor Azizan Che Embi examined the relation between profitability with green microfinancing on microfinance institutions (MFIs) in Bangladesh. As this study is among the few to critically examine green microfinance from the perspectives of MFIs, it aims to observe microfinance and Sustainable Development Goals (SDGs) for green microfinance development in Bangladesh. The finding suggests that significant aspects of green microfinancing are very much consistent with SDGs. The study also investigated how far the MFIs in Bangladesh have been adopting green microfinancing by measuring the future of green microfinancing and SDGs for Bangladesh. It is suggested that organizations and policymakers to evaluate the function and contribution of MFIs in addressing the primary environmental issues in Bangladesh. Moreover, through a meticulous evaluation of the adherence to the existing green microfinance policy, this study is expected to become one of the blueprints to encourage green MFIs in Bangladesh.

The paper entitled “Available financing resources for Islamic microfinance institutions to alleviate poverty: cash waqf approach” by Arwa Abubaker Alamoudi and Anwar Hasan Abdullah Othman studied the current Islamic financing channels that are used to finance Islamic microfinance institutions (IMFIs) and determine the appropriate mechanisms or models practiced by IMFIs to finance the micro-enterprises and therefore reduce the poverty rate in Muslim communities. This research suggested that cash waqf as an alternative channel to finance IMFIs as this model has been successfully implemented and experienced by many Islamic countries, to deal with various social problems and poverty alleviation. The desired development can be achieved by investing cash waqf funds in micro-enterprises that may help to maximize investment and low-income people’s returns also enhance economic development to a direct impact poverty alleviation. It has been found that the cash waqf model is considered an appropriate source of funding to finance IMFIs that will utilize the cash waqf fund to finance micro-enterprises through several models like Mudarabah, Murabaha, Musharakah Mutanaqisah and Qard Hassan.

Under the third theme **Sukuk**, the paper “Cash Waqf Linked Sukuk (CWLS) for Socially Impactful and Sustainable Projects in Indonesia” authored by Najim Nur Fauziah, Engku Rabiah Adawiah Engku Ali, Alliq Alvierra Md Bashir, and Asmaou Mohamed Bach,

an analysis of the practice of CWLS on socially impactful and sustainable projects in Indonesia was undertaken by identifying the benefits, opportunities, costs, and risks of the CWLS. The study found that CWLS can significantly contribute to social impact, as well as facilitate many sustainable development programs including government projects, education and healthcare initiatives and others. CWLS is believed to be a highly potential instrument with a positive impact on the society in Indonesia because of its benefits and opportunities are more considerable than its risks and costs.

The second selected paper under **Sukuk** theme is “Legal and Regulatory Requirements to Implement Sukuk in Algeria: Learning from Malaysian Experience” by Mohamed Ghezal, Rusni Hassan, and Ahcene Lahsasna. The study identifies the lessons to be learned for Algeria from the Malaysian experience in establishing sound Sukuk regulations. The study used the exploratory approach to review the main existing legal documents related to Sukuk in the two countries and used the interpretive analysis to examine legal and regulatory data. The study found that relevant Algerian laws such as civil, commercial, and capital market regulations should be amended to permit adequate Sukuk issuance. Besides, Algerian regulators have to prepare sound Shariah governance and tax incentives. The study focused on the mainland Malaysia regulatory framework that relates to Sukuk issuance and does not discuss the Labuan regulatory scheme. It is the earliest study that sets out the possibility to implement the Sukuk regulation framework in the Algerian context referring to a pioneering country like Malaysia. The findings of the study may contribute significantly to the legal and regulatory conceptual framework of many civil jurisdictions whose aim is to introduce Sukuk.

Another paper by Mohammed Meeran, Jasir Mohtesham, Syed Marwan Mujahid, Abdul Hai, and Mohd Shahid assessed the viability of using Sukuk as a tool for financing the development of waqf properties in India. From the various literature and reports, this study found that there is a huge economic potential for Indian waqf properties. However, due to several issues, one of them being a financial issue, waqf in Indian is unable to achieve its potential. Furthermore, the study also found that there is a possibility to introduce Mudharabah Sukuk for this purpose. As Indian Waqf Act prohibits the sale, gift, or transfer of the waqf properties, Mudharabah can be the best suitable tool for financing the development of waqf properties. The findings from this study can be used to introduce Sukuk for waqf property development in India. The successful implementation will lead to the revitalisation of waqf properties in the country which will eventually result in the upliftment of Muslim society from social and educational backwardness and benefit them at-large. This study may also provide information about the potential of Indian waqf properties which very essential for the investors in Sukuk.

Under the **Islamic crowdfunding** theme, Dzuljastri Abdul Razak, Syamsu Rizal Zulmi and Qosdan Dawami investigated the customers’ perception of Islamic Crowd Funding (ICF) as a possible financial solution for the pandemic crisis. The findings of the study indicated that the concept of ICF, justice and fairness significantly influenced the acceptance of Islamic crowdfunding. Hence, practitioners should emphasize these values to attract customers during this COVID 19 crisis. The findings of this study there may further contributed to the new body of knowledge on ICF as a solution to the pandemic COVID 19 crisis.

Under the theme of **Retirement Awareness and Profit/Gain from Islamic Law of Contract**, the paper by Auni Zulfaka and Salina Kassim on retirement awareness among the working population below 40 in Malaysia has been selected under this special issue. The study provided an in-depth analysis of respondents' retirement confidence (RC), goal clarity (GC), attitude towards retirement (ATT), financial literacy and knowledge related to retirement

planning (FL), and the sources of retirement information (SRI). The findings indicate that the working adults do have some degree of awareness about retirement, and they do undertake early preparations for their retirement. Overall, this study provided information about the critical implications for the retiring population to survive during their retirement phase and help them to be more confident and well-prepared to face life's reality after retirement. Hence, it is recommended for employers to provide programs or courses that cover retirement areas as one of the initiatives to help their employees be more aware of their future retirement life, which will prevent a financial crisis in the later years. Another study by Tawfik Azrak and Hani Hazaa discussed the profit/gain from Islamic law of contract perspective and the issue of ownership risk (*damanal-milkiyyah*). This study implicitly explains the effect of *Ghurm*, *Kasab*, and *Daman* on Islamic finance transactions that are based on *Albay'*. Further, it highlights the principle mutual trade and cooperation in *Albay'* transactions.

Under the **Islamic Financial Literacy** theme, authors Adi Saifurrahman and Salina Kassim explored and identified the critical issues, challenges, and opportunities for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia to improve their Islamic financial literacy levels and consequently influence their decision to participate in Islamic financial services. They also discuss the critical role of financial literacy for MSMEs in facing the uncertainties brought about by the COVID-19 pandemic. The findings of the study revealed that several issues and challenges faced by MSMEs, particularly in embracing the Islamic financial literacy concept and suggests several opportunities that may be explored by MSMEs to improve their literacy and consequent inclusion in Islamic financial services in Indonesia.

Another theme of the conference is **Halal Financing**. The study by Saheed Abdullahi Busari and Habeebullah Zakariyah on “Halal Financing in the COVID-19 Pandemic: Analysis of Rukhshoh on Halal Transactions” aimed to explore the principles of Rukhshoh in Islamic jurisprudence and its implication on the scope of funding halal transactions amidst the COVID-19 pandemic. The study identified the general scope of halal (permissible) within the contexts of *wājib*, *mandūb*, *mubah*, and *makrūh*. The result further suggested that even though Haram (forbidden) might be granted the Rukhshoh based on specific circumstances, the Islamic jurists differ in giving it the equal status within the halal scope except that there is a waiver of punishment on the Mukhalaf (accountable person). The study out that many people might have violated contractual obligations because of the COVID-19 pandemic. Thus, Islamic financial institutions should apply the Quranic injunction of "If the debtor is in difficulty, grant him time till it is easy for him to repay. But suppose ye remit it by way of charity.

As for last theme of **Takaful**, the paper entitled “Impactful and collective micro-takaful in addressing the impact of covid-19 pandemic” by Nurdianawati Irwani Abdullah was selected. The study examined the extent of effectiveness of the previous collective Micro-Takaful projects on Bantuan Rakyat 1-Malaysia (BR1M) recipients that were proven to benefit 7.2 million recipients as of in 2018 nationwide. Takaful operators who persistently aiming to become the value-based intermediary (VBI) inspired by the Regulator to achieve the Sustainable Development Goals by providing Micro-Takaful to the needy people. This paper suggested that (a) to review the micro-Takaful coverage to make it particularly relevant only to B40 group. Group M40 and T20 is entitled to tax exemption for takaful subscription; (b) to structure a similar product like i-BR1M that can attract many Takaful Operators to jointly participate in the same scheme for the National Agenda; (c) to reconsider replacing the free aids to the poor with better employment opportunities, training, and skill courses for them to continuously survive without having to depend on the Government aids instead.