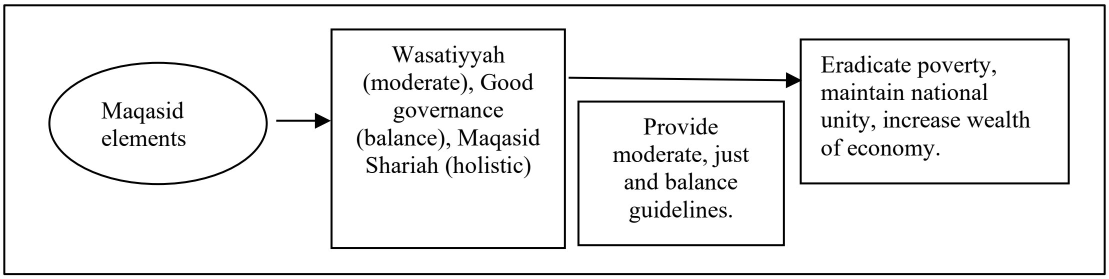
Maqasid is perceived to be inflexible in the hybrid model of corporate entities in social entrepreneurship that is more profit oriented. That is only through the achievement of profits they could serve the society. Nowadays, this could be perceived in the Islamic banks. The elements of *Maqasid* Shariah can be measured to certain dimensions suggested by the respondent: good governance, *Maqasid* Shariah and *Wasatiyyah* (moderation) Theoretically, good governance with *Wasatiyyah* and *Maqasid* Shariah approaches allows all the social enterprises to perform better. This could be formulated based on Figure 2 below, on *Maqasid* elements that may eradicate poverty, maintain national unity, and increase wealth of economy.

Figure 2: *Maqasid* elements in eradicating poverty, maintaining national unity, and increasing economic wealth



In summary, the *Maqasid* Shariah, which underpins Islamic finance, makes the sector capable of leading in promoting the SDGs to achieve global economic and social justice. Nowadays, the success of implementing sustainable finance that is in line with the SDGs, VBI and *Maqasid* Shariah hinges deeply on the adoption of technology-based solutions. This will enable the allocation of financial resources to the high-impact economic segments so that the nations can achieve financial inclusions far more efficiently and effectively.

Theme 3: Application of Islamic social finance to help the B40 group in eliminating poverty and achieving SDG1

In general, most of the respondents agree that Islamic social finance is intended for social benefit and is done through various approaches permissible by the Islamic law. Among the main methods in Islamic social finance are philanthropic tools such as zakat, waqf, sadaqah, microfinance and sukuk.

According to the respondents, innovative investments in humanity through Islamic social finance tools will lead to long-term social improvements, resilience, and adaptive capacity-building for society at risk. Such investments will inspire communities to recover more significantly from financial shocks and facilitate social and economic inclusion within their populations.

However, some respondents remarked that Islamic banking practices should adhere to the true nature of Islamic social finance that is intended for philanthropic driven and not for profit maximization. When utilizing philanthropic tools such as microfinance and *rahn* that require repayment, the focus should be on how it will help the people, especially B40 communities and not on profit-making, especially when some fees are posed in the financing. For example, the *wakalah* (agency) fees should be low. Respondent 7 mentioned some of the challenges faced by the B40 in taking up Islamic financing whereby the charges are high. This may be due to the general expectation of people who expect Islamic banks that operate Islamically should offer much lower rate that their conventional counterpart. Th respondent did suggest that Islamic banks could lower the charges.

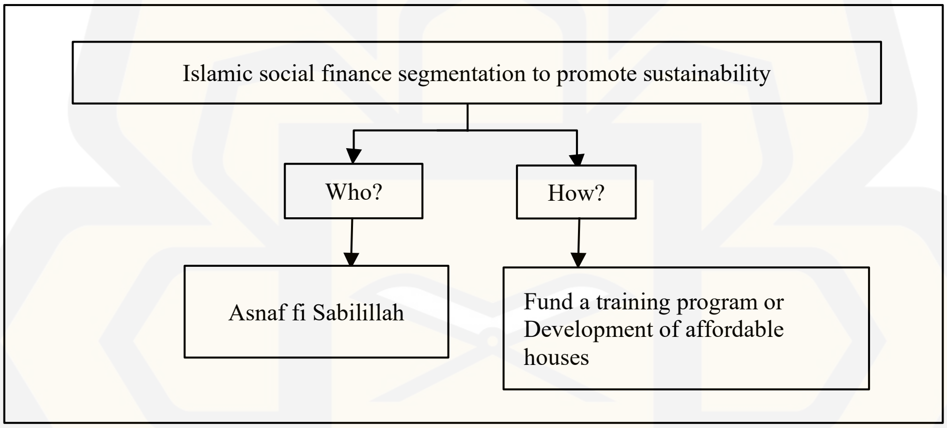
Some respondents also posited that it is also important to investigate segmentation in financing that would be more beneficial for B40 groups. While the role of Islamic social finance tools is to provide financial assistance to targeted groups with no expectation of profit from the transactions. Rather than focusing on a 'one-off' manner, sustainability could be achieved by looking into more significant perspectives that would benefit them in the long term. For example, Islamic CSR can be channelled to fund vocational training such as training the beneficiaries to run a small business or to support the development of affordable houses. Respondent 8 explained:

> *"If we cater on a house (development for them), rather than we go to CSR to distributing foods for the asnaf, it means we only able to cater for the short-term period. We also can give them monthly income,*

> *for example Rm300/month, it surely can resolve any hunger and any poverty issues. If we try to look into building a house (using the CSR fund), then we can give them at least a shelter. So maybe we can propose at our end as a banking institution, that is rather than focus only for the small CSR, but also for the long-term impact for B40 and asnaf as well". (Respondent 6)*

Most of the respondents unanimously said that the assistance in the form of zakat should be given according to the fixed beneficiaries. However, a respondent highlighted that although the beneficiaries of zakat in Shariah are fixed, the application could be different. Nowadays, there are uncontrollable issues whereby many of them are still reluctant to improve their lives towards a better quality of life despite various efforts taken such as capital assistance. Therefore, the priority should be on who among the asnaf would benefit the society more. The respondent suggests that the fund will be more beneficial for the long-term if it is distributed for the asnaf *fi sabilillah* (in the cause of Allah). In summary, the segmentation in Islamic social finance to promote sustainability can be postulated in Figure 3.

Figure 3: Islamic social finance segmentation to promote sustainability



Theme 4: Issues and concerns in utilising Islamic social finance tools in improving the socio-economic well-being of B40 in Malaysia

In general, the respondents agree that the failure of Islamic social finance tools in eradicating poverty among the B40 group is not because of the instruments themselves. Among others, it can be from internal factors related to the individual himself or external factors such as regulation constraints and inefficient management. The findings of the Focus Group Discussion on the issues of utilising Islamic social finance tools in Malaysia can be explained as follows:

The first issue is the readiness of the individuals; that is both from the demand side such as the B40 communities, and the supply side including industry players, regulators, or policymakers. According to the respondents, the internal factors from the demand side include lack of education, skills, and attitudes. One of the respondents stated that most customers seeking financial advice from debt management institution lack financial literacy. The lack of understanding caused the people to be in unmanageable debt, eventually leading to bad credit rating results.

> *"Most of the people that came to us and seek for our financial advice are those who cannot pay their debts because they don't aware on the planning part. So, they didn't plan well during taking out loans. And taking also from my personal experience when I deal with the bank, there's no such bankers that explain on planning financial; "you have to do this, so this, you know?" (Respondent 3)*

Accordingly, the respondents also highlighted the roles of educators to educate the asnaf on managing their wealth. This is important as without proper financial education or literacy, the recipients cannot manage the contribution that they received well:

> *"Maybe I can add on the roles of educators. We can educate properly on the asnaf on how to manage their wealth and money. Because rather than we give monthly zakat contribution to them, without the financial planning education, they would not be able to manage their money properly" (Respondent 7)*

Besides, from the external factor's perspective, the respondents in consensus that even though Bank Negara ascertained the idea of VBIs, specific departments in Bank Negara face some challenges in procuring the balance between VBIs idea well as the financial stability requirements. Accordingly, Islamic financial institutions would also face some risk management problems. A respondent remarks that the bank is always going for risk aversion. Most banks will prompt joint ventures with other institutions and participate in risk-sharing ventures that guarantee capital protection to lower the risk.

Secondly, there is the issue of innovation capability. A respondent remarked that innovation capability is about the supply side's (i.e., the bank) readiness for innovation to go beyond traditional banking. The financial institutions' lack of innovation in crafting the financial instruments and products that could impact society. As indicated by Respondent 5.

> *"It is about how they want to create a product and create a financial instrument that gives impact to the society. It is about how the personal financing department can craft a new product so that it can give an impact for the social" (Respondent 5)*

The third issue is the unorganized initiative and inefficiency in applying Islamic social finance. The practice of *qard* and *rahn* funds varies in different Islamic banks. Some Islamic banks provide it to poor local students and the financially weaker group of the society. In contrast, some other banks fund through a third party to small businesses, producers, and farmers who do not have access to the formal financial services. Although these charitable activities can reduce some types of poverty, the efficiency is questionable because the societies are barely improved. Therefore, the respondent suggested that there must be a central charity body that collects and invests in Islamic social enterprises to grow the funds. He implied that the large funds accumulated from different Islamic financial institutions in the central charity body would surely be sufficient to be invested in Islamic social enterprises. Moreover, if the funds are collectively invested in Islamic social enterprise, it will be a more sustainable and efficient process for poverty eradication.

The fourth is the lack of synergy with third sectors that facilitate the instruments, such as charitable institutions, zakat authorities, and the State Islamic Religious Council (SIRC) that governs zakat and waqf. Accordingly, the fund could be efficiently channelled to the recipients if they have good governance of social impact initiatives and charitable activities.

5. Conclusion

In conclusion, Islamic social finance is important to support the society and achieve sustainable development goals. The definition of Islamic social finance can be further refined to ensure the operational definition is well understood. The application of Islamic finance may perhaps unintentionally exclude the Islamic social and philanthropy-driven area in pursuit of profit maximization goals. However, the recent development of value-based intermediation has supported the application of Islamic social finance by Islamic financial institutions. The application of common Islamic social finance instruments especially zakat, waqf, and sadaqah needs to be enhanced in supporting the sustainable development goals.

Among the pertinent issues and challenges discussed there are other internal and external factors such as inefficient management and the attitude of the recipients themselves as the reason for the ineffectiveness of the application of Islamic social finance to reduce poverty and support SDG1. Not only that but new innovative investments through Islamic social finance are also needed to support long-term social improvements and sustainability that will enhance the socio-economic well-being of the community. Also, from an institutional perspective, the Islamic banking practices should adhere to the nature of Islamic social finance in achieving *Maqasid* Shariah and not only for profit maximization. Hence, the *Maqasid* Shariah, which underpins Islamic finance, makes the institutions become the example in promoting the SDGs in attaining a global economic and equitable financial system. These findings may contribute to the improvement of the policy especially about

Islamic social finance instruments due to their unique nature as compared to the widely use Islamic financial instruments.

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