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BACKGROUND

Journal of Islamic Social Finance (JISF) aims to provide a platform for academic discourse and dissemination of advances in knowledge focusing mainly on issues in the areas of Islamic social finance. Islamic social finance (ISF) is one of the main Muslim scholars' contributions in the contemporary time, which include areas such as *Zakat, Waqf, Sadaqah, Infaq* and Islamic microfinance. By incorporating both the financial and social aspects, ISF has wide applications in the context and realities faced by Islamic banking and finance today. ISF has also been identified as a tool to strengthen the role of Islamic banking and finance in supporting the sustainability agenda currently pursued at both the domestic and global levels. Despite the increasingly significant and influential role of ISF, a specific journal catering for the advances in knowledge in this pertinent area of Islamic finance has yet to be established. This provides the motivation for the II*i*BF (as the Center of Excellence in the area of Islamic banking and finance) to take the initiative to establish a journal focusing on ISF. The establishment of the JISF will provide a unique platform for quality articles in the vast areas of ISF to be published and widely disseminated.

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Contribution of *Bay-Salam* to Agricultural Development: Case of Oke-Aje Market, In Ogun State, Nigeria

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ABSTRACT

This study examined the role of *Bay-Salam*, a Shariah-compliant financing model, in promoting agricultural development in Oke-Aje Market, Ogun State, Nigeria. *Bay-Salam* allows farmers to secure interest-free funding from financial institutions, such as Al-Hayat Microfinance Bank, Imowo Microfinance Bank, and Jaiz Bank, in exchange for delivering agreed-upon quantities of produce at a later date. The findings emphasized *Bay-Salam*'s contributions to financial inclusion, increased productivity, and ethical alignment with Islamic principles, particularly for small-scale farmers often excluded from conventional banking systems. However, these benefits faced challenges such as limited awareness, contract complexity, preference for traditional banking, insufficient institutional support, and cultural resistance, which hindered its broader adoption. Qualitative interviews revealed that farmers appreciated *Bay-Salam* for its risk-sharing structure and transparency, which fostered trust and aligned with their religious values. However, misconceptions about *Bay-Salam*'s terms and the rigid conditions of the contracts deterred many farmers. Recommendations include enhancing outreach, simplifying contract terms, and providing short-term financing options to address farmers' immediate needs. Financial institutions should establish dedicated support systems to increase *Bay-Salam*'s accessibility.

1. Introduction

Developing the agricultural sector helps in sustaining the livelihoods of countless individuals across rural and urban areas. As the backbone of many economies, agriculture is sufficient enough to provide employment, ensure food security, and drive socio-economic growth. In developing regions, particularly in Nigeria, the agricultural sector has the potential to support the overall economic landscape by empowering communities, reducing poverty, and generating income. The impact of agriculture on development becomes especially significant within local communities, where markets like Oke-Aje in Ogun State, Nigeria, serve as a place for agricultural trade, knowledge exchange, and economic activity. However, various constraints, including limited access to finance, have impeded the growth and sustainability of agriculture in such regions (Mazid, 2012). This study explores the

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contribution of *Bay-Salam* to agricultural development in Oke-Aje Market, focusing on how it provides financial opportunities to farmers and stakeholders within the agricultural sector.

Bay-Salam, an Islamic financing contract, has been developed and utilized in various Islamic communities as a means to support trade and economic activities without contravening Islamic legal principles. This mode of financing is designed to address the need for working capital in agricultural ventures. Unlike conventional loan structures, *Bay-Salam* allows for advance payment for goods to be delivered in the future, a feature particularly beneficial for farmers and agricultural stakeholders who may need funds upfront to support cultivation, purchase inputs, or handle other operational costs (Nzibo, 2017). Through *Bay-Salam*, farmers receive capital to initiate or sustain their production cycles while securing a guaranteed buyer and price for their produce. This arrangement holds mutual benefits for both parties involved and upholds Shariah-compliant standards by ensuring that profit and risk are shared fairly. It is to this that *Bay-Salam* provides a sustainable financing model placed to meet the specific needs of the agricultural sector, thereby encouraging growth within markets. Nigeria's agriculture has been identified as an important area for development, as it represents a significant portion of the nation's economy. The country's vast agricultural potential is often underutilized due to barriers like inadequate access to funding, outdated farming methods, and lack of structured support systems. The effects of these challenges are particularly felt in local markets, where agricultural productivity directly impacts on the economy and standard of living. Within Oke-Aje Market, agricultural activities range from crop production to trading in foodstuffs, which are staples for local communities and serve as commodities for regional trade. Farmers and traders here face challenges common across Nigeria, particularly the limitations of traditional financing systems, which are often inaccessible due to high-interest rates, collateral requirements, or complex bureaucratic procedures. These factors have discouraged many farmers from seeking loans or financial support, which hampers productivity, reduces potential income, and restricts the growth of agriculture-dependent communities (Shah et al., 2021).

The role of Islamic finance in addressing these challenges is gaining recognition in various parts of the world, and Nigeria is no exception. Islamic finance operates based on Shariah principles, which prohibit the charging of interest (*riba*) and promote ethical and equitable financial dealings. The adoption of Islamic financial instruments, such as *Bay-Salam*, within the agricultural sector offers an innovative solution to the constraints faced by Nigerian farmers. By offering Shariah-compliant financing models that encourage risk-sharing and emphasize ethical considerations, Islamic finance opens avenues for a more inclusive and sustainable financial framework. *Bay-Salam*, in particular, has proven effective in various contexts as a pre-paid financing arrangement that can cater to the cyclical nature of agricultural production (Alfatakh, 2017). This study examines the feasibility, advantages, and impacts of *Bay-Salam* as an instrument for agricultural development in Oke-Aje Market, exploring how it addresses the financial needs of local farmers and contributes to community growth.

This study aims to analyze the ways in which *Bay-Salam* financing can be effectively implemented to drive agricultural development. By assessing existing literature, field studies, and case analyses, this research seeks to uncover both the direct and indirect contributions of *Bay-Salam* to the economic vitality of Oke-Aje Market. Understanding the mechanism of *Bay-Salam* financing in this context involves examining not only its financial structure but also its potential to empower farmers, increase productivity, and stimulate local economic activity. This study also seeks to highlight any limitations or challenges associated with *Bay-Salam* financing, including potential barriers to adoption, operational constraints, and possible misunderstandings regarding its application within a rural setting. One of the expected outcomes of this research is to identify the benefits of integrating *Bay-Salam* as a preferred mode of financing for agricultural stakeholders in Oke-Aje Market. This includes demonstrating how *Bay-Salam* can reduce the dependency on conventional loan structures, encourage ethical and risk-sharing business practices, and ultimately contribute to sustainable agricultural practices. The research will also provide insights into the broader implications of *Bay-Salam* on rural economic development, illustrating how this form of financing aligns with Nigeria's larger goals for agricultural transformation and poverty alleviation. By situating *Bay-Salam* within the financial ecosystem of Oke-Aje, this study will offer an understanding of how Islamic finance principles can be practically applied to address local needs, thereby setting a precedent for other regions within Nigeria and beyond.

This study is significant because it helps in stating out the potential of Islamic finance to transform agriculture, particularly in developing economies where access to finance is limited. Through a case study approach focused on Oke-Aje Market, this research provides a model for understanding how Shariah-compliant financing can foster growth, support economic empowerment, and enhance agricultural productivity. The findings from this study are expected to contribute to policy discussions surrounding agricultural financing and Islamic finance, offering evidence-based recommendations for implementing *Bay-Salam* and similar instruments to benefit the agricultural sector. This study therefore seeks to encourage further academic and policy-oriented research on the intersection of Islamic finance and sustainable agriculture in Nigeria.

The introduction of *Bay-Salam* in Oke-Aje Market represents an opportunity to bridge the gap between financial access and agricultural development. By providing a Shariah-compliant financing option that supports the cyclical nature of farming activities, *Bay-Salam* empowers farmers, enhances productivity, and promotes economic resilience. This study, therefore, examines *Bay-Salam*'s potential as a viable solution to the financing challenges faced by agricultural stakeholders in Oke-Aje, contributing to a broader understanding of how Islamic finance can serve as a catalyst for sustainable development. Through a careful analysis of *Bay-Salam*'s framework and its applicability to the Nigerian context, this research aims to demonstrate the practicality of Islamic finance in addressing real-world economic challenges while upholding ethical principles that benefit both individuals and the community at large.

2. Literature Review

Ogun State is one of the states in Nigeria known for her huge agricultural productions that significantly helped in the country's food production. With a predominantly agrarian economy, it produces a range of crops, including cassava, maize, and vegetables. This growth is driven by supportive policies that promote sustainable farming and food security. The Ogun State government has introduced programs to boost agricultural development, targeting increased productivity and market integration. This framework reflects national agricultural policies emphasizing innovation and value chains, aimed at making agriculture profitable for farmers across all stages of production. Markets are fundamental in enhancing agricultural productivity, as they create opportunities for farmers to sell produce, connect with consumers, and access valuable inputs. In Ogun State, markets like Oke-Aje Market serve as economic and marketing center, providing infrastructure for trading and networking. They encourage competition, promote quality control, and enable better pricing mechanisms. According to previous studies, market accessibility is linked to reduced poverty and enhanced livelihood for rural farmers, who gain higher incomes and improved food security.

Bay-Salam, a form of Islamic finance, offers a unique model where advance payments are made for agricultural products, supporting farmers by providing the capital required for production. The term "بيع السلم" (*Bay-Salam*) translates as "forward sale," where a buyer pays in advance for goods that the seller will deliver at a future date. This model is especially valuable in agriculture, where farmers need early financing to fund production costs. The structure of *Bay-Salam* allows farmers to secure funds without resorting to interest-bearing loans, making it a Shariah-compliant financial tool. This arrangement has been successfully applied in various Muslim communities worldwide to promote agricultural sustainability and alleviate rural poverty. Several studies highlight *Bay-Salam*'s role in boosting agricultural productivity and financial stability for farmers. A study by Ahmad (2020) demonstrates *Bay-Salam*'s positive impact on small-scale farmers by providing immediate funding, which reduces dependence on informal lenders. Also, "فقه المعاملات" (*Fiqh al-Mu'amalat*), or Islamic commercial jurisprudence, supports this form of trade as it aligns with ethical financing principles. Empirical evidence suggests that *Bay-Salam* can alleviate financial constraints and stabilize farmers' income. Research from Northern Nigeria, for example, shows that *Bay-Salam* arrangements have enabled farmers to plan and invest in sustainable farming practices, leading to improved crop yield and market participation (Mahmud, 2019).

Comparatively, studies on Shariah-compliant financial tools in agrarian economies similar to Ogun State, such as Bangladesh and Pakistan, show that *Bay-Salam* not only boosts productivity but also encourages financial inclusivity. A study conducted by Khan (2020) in rural Bangladesh demonstrated that *Bay-Salam* financing empowered farmers to grow high-value crops, subsequently improving their livelihoods and market competitiveness. This aligns with observations in Ogun State, where the Oke-Aje Market serves as a catalyst for economic development, with *Bay-Salam* fostering accessible funding and stable incomes for local farmers. Further exploration of the *Bay-Salam* model's socio-economic effects can be observed in the increased resilience of farmers in Sudan, where similar Islamic finance mechanisms are in place. Studies indicate that *Bay-Salam* financing has promoted sustainable agricultural practices while reducing the vulnerability of farmers to financial crises (Amir, 2008). The integration of *Bay-Salam* into financial structures has also sparked policy interest in scaling these financing options to promote agricultural goals, which aligns with Nigeria's ambitions to achieve agricultural self-sufficiency and alleviate poverty in rural areas (Haron, 2021). The documented success of *Bay-Salam* in various socio-economic settings suggests that the model's scalability and adaptability could be key to broadening its impact in Ogun State and similar regions across Nigeria.

This review underscores *Bay-Salam*'s transformative potential in Nigeria's agricultural sector, situating it within the broader landscape of Islamic finance models contributing to rural development. By fostering accessible, Shariah-compliant financing options, *Bay-Salam* can play a critical role in supporting Ogun State's agricultural objectives and the Nigerian government's larger food security goals, strengthening the intersection of finance, sustainability, and economic inclusion.

3. Methodology

This study adopted a mixed-methods approach, integrating qualitative and quantitative research methodologies to comprehensively explore the experiences, perspectives, and insights of agricultural stakeholders involved with *Bay-Salam* financing. By employing both methods, this research aims to enhance credibility and findings related to the impact of *Bay-Salam* on local agricultural practices. The qualitative component focuses on the personal experiences and viewpoints of farmers and representatives from financial institutions. This approach was chosen to check the complexity, context-sensitive issues and understand the unique socio-economic factors affecting farmers at Oke-Aje Market. The qualitative data collection involved semi-structured interviews, direct observations, and thematic analysis, which provided the needed data that reflects the direct experiences of participants and the roles of financial institutions in promoting *Bay-Salam*.

Participants were selected through a purposive sampling technique to ensure a diverse representation of stakeholders. Informants included farmers, traders, and officials from various financial institutions such as Imowo Microfinance Bank, Al-Hayat Microfinance Bank, and branches of Jaiz and Lotus Banks. The selection criteria included factors such as participants' farming experience, land size, and their direct involvement with *Bay-Salam* financing. Farmers ranged in age from 25 to 60 years, with varying degrees of farming experience, from novices to those with over 20 years in the industry. This demographic diversity was essential to capture a wide array of insights regarding *Bay-Salam*'s relevance, challenges, and potential improvements. The interviews focused on participants' awareness of *Bay-Salam*, perceived benefits, and the challenges they face in its implementation. This method allowed for in-depth exploration and enabled the researcher to probe further as needed while ensuring that specific themes were consistently covered across interviews. Direct observations at Oke-Aje Market were also conducted to gain real-time insights into agricultural practices and market interactions, documenting practical challenges and the frequency of transactions related to *Bay-Salam*.

While this study primarily employed qualitative methods, a quantitative survey could be implemented in future research to gather numerical data regarding the outcomes of *Bay-Salam* financing. This survey could assess various indicators such as productivity levels, income changes before and after implementing *Bay-Salam*, and farmers' satisfaction with the financing model. By combining qualitative insights with quantitative data, the research would offer a more comprehensive understanding of *Bay-Salam*'s impact on agricultural development. Data collected from interviews and observations were analyzed through thematic analysis, a suitable approach for qualitative data that involves identifying recurring patterns or themes. The initial phase of familiarization involved thoroughly reading the interview transcripts and observation notes to gain an overview of the data. This process allowed the researcher to identify preliminary themes relating to *Bay-Salam*'s impact, such as "awareness and understanding of *Bay-Salam*," "perceived benefits and drawbacks," and "institutional and logistical challenges." Following familiarization, initial coding was performed to tag specific pieces of information relevant to the research questions. Responses indicating participants' perceptions of *Bay-Salam*'s usefulness in agricultural development were coded under relevant themes such as "accessibility and financial flexibility," while challenges were coded as "financial and operational barriers." Similar codes were then clustered to form broader themes, such as "accessibility," "challenges in implementation," and "economic impacts." This thematic organization facilitated a deeper understanding of how *Bay-Salam* financing shapes and supports agricultural practices within Oke-Aje Market. The final step in thematic analysis involved presenting these themes in a coherent narrative, supported by illustrative excerpts from interviews and observations that brought clarity and depth to the findings.

Oke-Aje Market which is situated in Ijebu Ode, Ogun State as mentioned above, serves as the focal point of this study. Known for its agricultural vibrancy, the market is significant for the exchange of goods, services, and financial interactions, attracting a wide range of farmers, traders, and financial institutions. It was selected for its diverse agricultural activity and active participation in financing schemes, particularly Islamic financing options like *Bay-Salam*. The diversity of stakeholders, ranging from small-scale subsistence farmers to larger commercial enterprises, offers a robust setting for assessing *Bay-Salam*'s accessibility and utility in real-world agricultural contexts. Oke-Aje Market's strategic position within Ogun State's economy and its integration of both traditional and modern financial practices makes it an ideal site for evaluating the effectiveness of the *Bay-Salam* model. The study area's economic diversity, coupled with the active presence of financial institutions providing Islamic financial products, allows for a comprehensive analysis of *Bay-Salam*'s reception and practical value.

4. Findings

Financial institutions, including Al-Hayat Microfinance Banks, Imowo Microfinance Bank and Jaiz Bank, provide funds to farmers prior to planting, with agreements to receive a predetermined quantity of produce at a later date. This contract eliminates the need for interest, fostering a risk-sharing relationship between the financier and the farmer. One respondent, a cassava farmer, stated, "*Bay-Salam* is not just about funding; it allows me to work without fear of *riba* while ensuring I have the resources to plant on time." This sentiment underscores the alignment of *Bay-Salam* with Islamic principles, creating a mutually beneficial and ethically sound arrangement. Although the advantages were sufficient yet, the adoption of *Bay-Salam* in Oke-Aje Market faces practical and institutional challenges. *Bay-Salam* contributes immensely to agricultural development by improving financial accessibility and inclusion. Many small-scale farmers, often excluded from conventional banking due to a lack of collateral, benefit from *Bay-Salam*'s inclusivity. A maize farmer remarked, "Before *Bay-Salam*, I struggled to afford seeds. Now, I can plant on time and even purchase better tools." This statement shows how *Bay-Salam* enables farmers to invest in quality resources, leading to increased productivity. Another farmer noted, "With no interest payments, I can save more and reinvest in my farm." This feedback reflects the financial flexibility *Bay-Salam* offers, which reduces the burden of high-interest loans. However, quantitative studies are needed to measure specific impacts, such as yield increases or income growth, to further substantiate these findings. The ethical appeal of *Bay-Salam* resonates strongly with Muslim farmers in Oke-Aje Market. By eliminating *riba* (interest), it aligns with Shariah principles, fostering trust and collaboration between farmers and financial institutions. A vegetable seller shared, "*Bay-Salam* helps me grow my business without going against my faith." This trust in the system strengthens relationships and encourages reinvestment, as farmers feel secure within a framework that respects their beliefs. Transparency and mutual respect are central to these partnerships. However, a manager at Imowo Microfinance Bank revealed, "Many farmers still find the process challenging due to the strict conditions tied to delivery dates." Simplifying these guidelines could make *Bay-Salam* more appealing to a broader range of farmers, enhancing its impact on the agricultural sector.

A recurring challenge is the lack of awareness and understanding of *Bay-Salam* among farmers. Misconceptions abound, with some farmers equating it to conventional loans. One farmer admitted, "At first, I thought *Bay-Salam* was just another bank loan with hidden charges." Such misunderstandings hinder its adoption, emphasizing the need for educational outreach. Representatives from Jaiz Bank suggested that workshops and collaborations with community leaders could bridge the knowledge gap. Another interviewee proposed, "If banks provided clear brochures in local languages, more farmers would be interested." Measuring awareness levels through surveys and tracking participation rates after educational efforts could provide valuable insights into the effectiveness of these initiatives. The complexity of *Bay-Salam* guidelines presents another obstacle. Farmers accustomed to flexible, informal loan arrangements may find the detailed requirements of *Bay-Salam* intimidating. An official from Al-Hayat Microfinance Bank observed, "Farmers often struggle with the rigidity of *Bay-Salam* contracts, especially fixed delivery dates." A yam farmer shared his frustration, saying, "I needed funds for immediate needs, but *Bay-Salam*'s timeline didn't work for me." Addressing these concerns requires creating short-term options alongside standard *Bay-Salam* contracts to cater to varying financial needs. Quantitative data on farmers' preferences for contract durations could guide such adjustments, ensuring *Bay-Salam* remains relevant and accessible.

The offshoot of this active promotion is that many farmers in Oke-Aje Market continue to prefer conventional banking methods. Familiarity and ease of use often outweigh the ethical benefits of

Bay-Salam. A palm oil producer commented, "Conventional loans are faster, and I know the process well. *Bay-Salam* feels complicated." This preference is compounded by limited support from financial institutions. A staff member at Imowo Microfinance Bank revealed, "We lack enough trained personnel to guide farmers through *Bay-Salam* applications." Establishing dedicated support units or training programs for bank staff could address this gap, ensuring farmers receive the assistance needed to engage with *Bay-Salam* effectively. Cultural and social factors also influence adoption rates. Traditional banking practices and peer pressures deter many farmers from exploring *Bay-Salam*. One respondent shared, "My neighbors discouraged me, saying it's better to stick with what we know." To counteract these influences, institutions could partner with respected community leaders to promote *Bay-Salam* as a viable alternative. Campaigns emphasizing the practical and ethical benefits of *Bay-Salam* could shift perceptions and increase its acceptance. Tracking participation rates before and after such campaigns would offer measurable insights into their success.

5. Discussion

The study of *Bay-Salam* as a tool for agricultural financing in Oke-Aje Market provides rewardable information on both the benefits and challenges of Islamic finance in supporting local agricultural development. Findings revealed that *Bay-Salam* offers a distinctive alternative to conventional financing by aligning with the ethical and religious values of the Muslim farming community. However, a significant gap exists between the theoretical appeal of *Bay-Salam* and its practical implementation. Although financial institutions such as Imowo Microfinance Bank and Al-Hayat Microfinance Bank promote *Bay-Salam* as a Shariah-compliant financing option, the complexity of its contractual guidelines and the lack of user-friendly adaptations have hindered widespread adoption among farmers. The current contracts, which often include lengthy and intricate terms, can appear intimidating or challenging for farmers to navigate. This suggests a pressing need for simplification in the way *Bay-Salam* is structured and presented. A notable advantage of *Bay-Salam* is its ethical alignment with the concerns of Muslim farmers, who often view conventional financing skeptically due to high interest rates and terms that may conflict with their values and the seasonal nature of agriculture. Unlike traditional loans, *Bay-Salam* offers a financing structure that avoids interest, making it inherently appealing to those seeking adherence to Islamic principles. Findings suggested that *Bay-Salam* contracts which align with specific crop cycles through shorter, seasonally adapted contract durations could significantly enhance its practicality and adoption among farmers in Oke-Aje Market. Such adjustments would allow the financing to better meet the realities of agricultural cycles, making *Bay-Salam* both flexible and responsive to farmers' needs.

Interviews with local farmers indicated a shared enthusiasm for an ethical financing option that supports their agricultural endeavors without compromising their beliefs. However, this enthusiasm is tempered by limited understanding; many farmers reported lacking the knowledge necessary to fully utilize *Bay-Salam*. This suggests a critical role for financial institutions in bridging the knowledge gap through educational programs that explain *Bay-Salam*'s terms, procedures, and potential benefits. Such initiatives could enable farmers to leverage *Bay-Salam* more effectively, contributing to their financial growth and agricultural productivity. Continuous engagement and support would not only enhance comprehension but also build trust in the system, enhancing a more confident and knowledgeable user base. When comparing these findings to *Bay-Salam*'s application in other regions, the experience of farmers in Oke-Aje Market contrasts with that of farmers in areas where Islamic finance is more established and supported by regulatory frameworks. In Northern Nigeria, for example, simplified *Bay-Salam* contracts, combined with government-backed agricultural support programs, have created a more favorable environment for Islamic financing in agriculture. This policy support and regulatory foundation have significantly boosted *Bay-Salam*'s uptake in those areas. Similar models outside Nigeria, such as Salam financing in Pakistan, have also achieved success under conditions where literacy rates, Islamic banking infrastructure, and government support are stronger. These examples underscore the importance of supportive policy frameworks, simplified procedures, and robust educational foundations in enhancing *Bay-Salam*'s viability in markets like Oke-Aje.

The findings also have significant theoretical implications for Islamic finance, particularly in terms of the gap between theory and practice. Islamic finance theory asserts that financial instruments should not only adhere to Shariah principles but also be accessible, beneficial, and responsive to community needs. However, the study of *Bay-Salam* in Oke-Aje Market highlights that theoretical support for Islamic finance products may be insufficient if they lack practical adaptations to enhance accessibility. This suggests that even well-designed Shariah-compliant products can fall short of reaching their intended audience if they are not adequately connected to local contexts. Thus, the findings emphasize the necessity of adapting Islamic finance products to meet the specific needs of the communities they serve, ensuring that they are both theoretically sound and practically viable. The study also contributes to an evolving understanding of the socio-cultural dynamics that influence the adoption of Islamic finance products like *Bay-Salam*. For many farmers in Oke-Aje Market, financial decisions are influenced as much by ethical and religious beliefs as by economic necessities. This dual consideration where both financial and ethical motives partake in crucial roles to strengthen the theoretical foundation of Islamic finance as a value-driven alternative to conventional systems. *Bay-Salam*, therefore, offers more than just a financing solution; it provides an ethical financing model that deeply resonates with the values and beliefs of the farming community, underscoring Islamic finance's broader significance as a holistic and community-oriented approach to economic development.

6. Recommendation

Financial institutions should begin by simplifying the guidelines and contracts associated with it so as to enhance the effectiveness of *Bay-Salam* in agricultural financing. Clear, concise instructions that outline the steps for engaging *Bay-Salam* would improve its accessibility for farmers. User-friendly materials such as brochures and digital resources could further simplify the process, providing practical examples of *Bay-Salam* in action. Secondly, institutions should invest in educational programs, including workshops and seminars connected to the local agricultural context. These initiatives would keep farmers informed and engaged, enabling them to make well-informed decisions about their financing options.

It is essential for financial institutions to develop products specifically organized to meet the needs of the agricultural sector. Short-term contracts go in line with seasonal crop cycles, for example, would better support farmers' cash flow needs and accommodate the cyclical nature of agricultural production. Establishing dedicated support units within these institutions could also assist farmers in navigating the complexities of *Bay-Salam* and help them access financing solutions suited to their needs. Addressing the practical challenges of *Bay-Salam*'s implementation is crucial to its success. Policymakers are also role players in promoting *Bay-Salam* as a viable financing option. Supportive measures such as tax incentives for banks that offer Islamic finance products and subsidies for educational initiatives aimed at promoting *Bay-Salam* could incentivize broader adoption. With that, regulatory frameworks could ensure transparency and integrity in *Bay-Salam* transactions, protecting both farmers and financial institutions. This level of transparency is essential for building trust, which is necessary for *Bay-Salam*'s wider acceptance. Further, investments in agricultural infrastructure such as storage facilities and transportation networks would reduce logistical challenges, increasing *Bay-Salam*'s appeal to farmers. The farming community itself has an active role to play. Farmers should participate in the educational programs offered by financial institutions to deepen their understanding of *Bay-Salam*. Engaging with these institutions for personal assistance can help farmers secure financing solutions to their specific requirements. By adopting *Bay-Salam*, farmers could reduce reliance on conventional interest-based loans and align their financial practices with their ethical and religious values.

For the continuous evaluation of *Bay-Salam*'s impact on agricultural development, future research is essential. Quantitative studies could measure *Bay-Salam*'s influence on agricultural productivity, income, and financial stability in comparison to conventional financing methods. Longitudinal studies would also provide insights into the effectiveness of *Bay-Salam* over time, identifying best practices for its successful implementation. Research should explore ways to simplify *Bay-Salam* guidelines, including the potential for digital solutions such as mobile applications for managing contracts and transactions. Moreso, examining the role of community-based organizations in supporting *Bay-Salam* could offer good perception into how collaborative efforts like resource pooling and mutual assistance might facilitate adoption. A comprehensive analysis of policy frameworks that support *Bay-Salam* is also warranted. Research on successful policy interventions and regulatory environments from other regions could yield valuable recommendations for policymakers who seek to create a supportive environment for *Bay-Salam* and similar Islamic finance products.

7. Conclusion

The research underscores the promising potential of *Bay-Salam* as a tool for agricultural development in Oke-Aje Market, Ogun State, Nigeria. While institutions like Imowo Microfinance Bank and Al-Hayat Microfinance Bank theoretically support *Bay-Salam* as a Shariah-compliant financing option, practical barriers limit its widespread adoption. Challenges such as the complexity of *Bay-Salam* guidelines, limited awareness among farmers, and a prevalent reliance on conventional banking methods have impeded its success. The study suggests that overcoming these barriers requires collaboration among financial institutions, policymakers, and the farming community. Simplifying *Bay-Salam* contracts, investing in farmer education, and developing financial products in agriculture could greatly enhance its effectiveness. Policymakers could also extend their limited jurisdiction by implementing supportive measures and establishing regulatory frameworks that ensure transparency and foster trust in *Bay-Salam* transactions. Farmers, in turn, are encouraged to engage with educational initiatives to gain a clearer understanding of how to utilize this Shariah-compliant financing option. *Bay-Salam* holds considerable potential not only as an ethical financing solution that resonates with the values of Muslim farmers but also as a catalyst for enhancing agricultural productivity and economic stability in the region. Successfully addressing its current challenges could lead to transformative change in agricultural financing, benefiting both the farmers and the broader agricultural sector in a meaningful and sustainable way.

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Risks in Islamic Green Finance and Takaful as A Solution

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ABSTRACT

Islamic green finance faces unique risks that require careful consideration and mitigation strategies in promoting the success of sustainable projects. This paper highlights Takaful, with its unique risk-sharing mechanisms, Shariah compliance, and community-based approach, can offer valuable and innovative solutions to address these risks and enhance the viability of Islamic green finance in promoting sustainable development and environmental responsibility. This research employs a qualitative approach through secondary data analysis. This paper, meticulously crafted based on an extensive analysis of documents and reports from financial regulatory and supervisory bodies, multilateral organizations, and industry experts, examines the integration of climate risk considerations into Takaful sector business models, encompassing both the challenges and opportunities arising from climate-related risks. By addressing the key challenges and seizing the opportunities, insurance and takaful operators' (ITOs) can play a leading role in building a more resilient and sustainable future. Indeed, by leveraging ITOs' strengths, Islamic green finance institutions can enhance the viability and impact of their investments, effectively manage risks, promote sustainable practices, and contribute to a more sustainable future.

1. Background

Climate change refers to a long-term shift in global or regional climate patterns. The landscape of climate change risk is evolving rapidly, recognised as a top global threat and affects human, societal, environmental and economic systems through rising temperatures, rising sea levels, and increasing frequency and severity of natural catastrophes and extreme weather-related events. As highlighted in a recent sigma report, natural catastrophes cost the world USD 275 billion in 2022. Insurance covered 45% of the damage, at USD 125 billion (Banerjee & Bevere, 2022). Facts are that the climate protection gap is real, climate risk is not properly priced and capital markets and public private partnerships are key to unlocking the additional needed funding. This protection gaps the difference between what is covered and actual losses – is significant. Additional tools in tackling the protection gap.

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Several notable scientific studies have explored the nature of climate change risk and its underpinning drivers (Golnaraghi, 2022). Scientific consensus has attributed specific natural catastrophe events to human induced as the main drivers for increased and more costly liability risks from increased climate-related insurance claims. For instance, the IPCC documented that strong scientific evidence suggests that the frequency, severity, and distribution of certain types of natural catastrophes and extreme weather events such as extreme heat, tropical cyclones, flooding, or wildfire is closely correlated with temperature increases. A recent study estimated that the proportion of Category 4 and 5 hurricanes has increased at a rate of approximately 25–30 % per °C of global warming. According to the Intergovernmental Panel on Climate Change (IPCC) (2021), climate change is changing the future likelihood of a wide range of risks (e.g., frequency, severity and geographic locations of extreme weather-related events). The extent to which weather patterns have already been affected is also unknown (The Geneva Association, 2018).

It is apparent that Small and Medium-Sized Businesses (SMEs) are systematically exposed to the consequences of natural catastrophes. For instance, an earthquake in Turkey is estimated to have cost SMEs anything from $1.1 to $4.5 billion (Abuhussein et al., 2023; Mahadi, 2023). Similar to this, 557,637 businesses—of which 90% were SMEs—were badly impacted by floods in Thailand (Mavrodieva et al., 2019). Examples from Sri Lanka, where a 2016 cyclone caused major losses for SMEs, and Malaysia, where 13,000 SMEs collapsed as a result of flooding in 2014, highlight how vulnerable SMEs are to disasters of this nature (Setyoko & Kurniasih, 2022; Yadav et al., 2022), while in 2022, Malaysia was hit hard by seasonal flooding, forcing 66,718 people to evacuate and seek shelter in 116 relief centers (Hashim, et al., 2023).

Furthermore, amid natural disasters, even affluent nations struggle with problems. This fact is demonstrated by the significant economic loss of 5 billion pounds that the UK experienced during the Foot and Mouth Disease (FMD) epidemic in 2001 (Puspitarini & Setiawina, 2022). In the wake of frequent natural disasters like hurricanes, earthquakes, and floods, developing countries require robust insurance and takaful mechanisms to manage financial risks and facilitate recovery (Mills, 2004; Mahadi, 2023; Mahadi, & Ismail, 2021; Holzheu, & Turner, 2018).

Action and adaptation go hand in hand. Businesses, governments and individuals must respond to the risks we are facing now and start planning for those on the horizon. It is important to recognise that societal resilience relies on the extent of narrowing the protection gap and taking action to ensure that the climate crisis doesn't exacerbate existing inequalities. Failure to act will place a significant burden on households and businesses, as well as having a wider macroeconomic impact. Society's responses to climate change (including new policies, market dynamics, technological innovation, and social change) may have wide ranging impacts on the structure and function of the global economy.

2. Research Design and Methodology

This research employs a qualitative methodology to achieve a comprehensive understanding of the inherent risks within Islamic Green Finance. Against this backdrop, this paper is based on an in-depth literature review of documents and reports from financial regulatory and supervisory bodies, and multilateral organisations on integrating climate risk considerations into insurance sector business models and managing the challenges and opportunities arising from climate-related risks.

Selecting a qualitative research method requires selecting a range of methods and techniques that complement the selected research methodology. First, there are two types of research approaches including the inductive and deductive research approaches. This study employs an inductive approach, allowing for exploration of the research question without a priori hypotheses or statistical testing. The researcher employed an inductive approach to investigate the research issues, analyzing specific data to develop broader understandings. This specialized research technique results in beginning the investigation with a generalization of the acquired data and then narrowing the data down to the specific research topic to arrive at strong findings with practical relevance.

Second, the research design serves as the foundation for effectively managing and systematically completing the study. The research design helps the researcher to select the technique for collecting and analyzing the data according to the type of study. Broadly categorized, research designs can be classified as descriptive, experimental, causal and correlational. For managing the current research, the researcher has selected the descriptive research design. This research design facilitates the exploration of risks inherent in Islamic green finance and investigates the potential of Takaful as a mitigating solution. The design will enable a comprehensive understanding of these issues through a qualitative approach.

This research aims to synthesize secondary data on integrating climate risk considerations into the insurance sector's business models. The data are collected from relevant academic publications (journal articles, research papers, editorials) and professional resources (websites, official documents, reports) published after 2018. This focus on recent publications ensures the data reflects the latest developments and insights on managing the challenges and opportunities presented by climate-related risks in the insurance industry.

This study employs a qualitative research design with an exploratory approach. By delving into this phenomenon, the study endeavours to illuminate novel and critical insights into the current risk landscape of Islamic green finance. In particular, the study focuses on the potential of Takaful as a mitigating mechanism for these identified risks.

3. Literature Review

Green finance, as articulated by Mahadi et al., (2024), encompasses two critical dimensions, i.e., the proactive mobilization of capital for environmental and climate initiatives (green financing) and the strategic integration of environmental and climate-related risks into financial management frameworks (greening finance). Islamic green finance is uniquely susceptible to a range of risks, necessitating robust and innovative mitigation strategies for the successful realization of sustainable projects (Al-Shaghdari et al., 2024; Daoulhadj & Hussin, 2023).

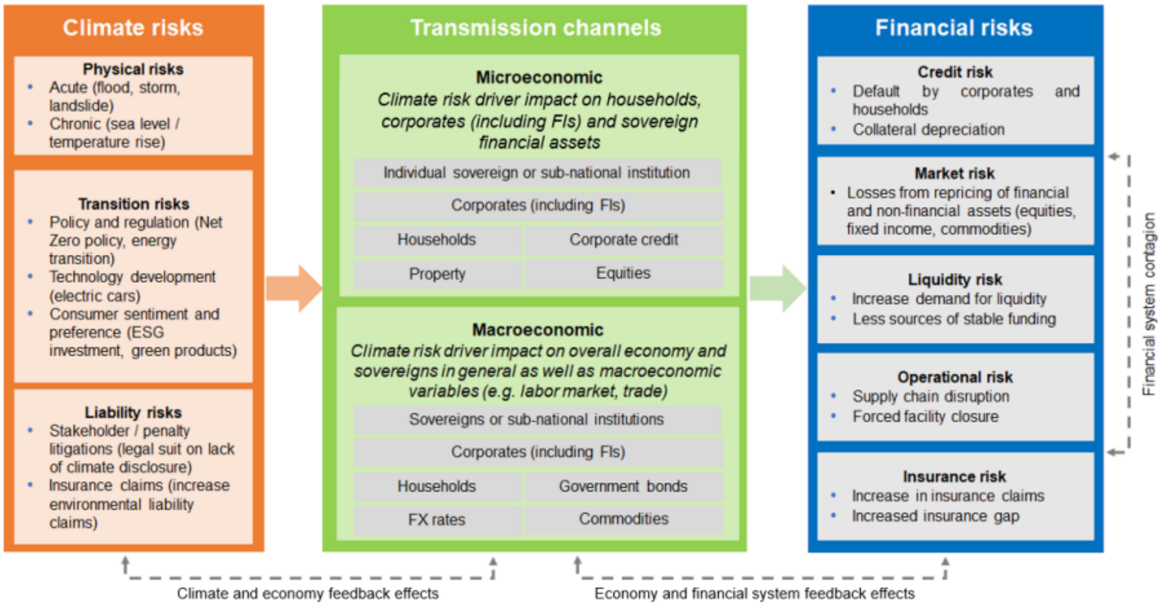
The core objective of green finance is to channel resources towards environmental betterment while simultaneously embedding environmental risk considerations into financial operations (Nasir & Ahmed, 2024; Daoulhadj & Hussin, 2023). Green finance is generally understood as the strategic deployment of capital towards ventures and initiatives that generate economic returns alongside tangible contributions to environmental sustainability and climate change mitigation (Nasir & Ahmed, 2024; Fu, et al., 2023). This perspective aligns with prevailing definitions in the literatures (Mahadi et al., 2024; Ozili, 2021), that similarly uphold these dual objectives of economic viability and ecological stewardship.

Takaful is indispensable for the sustainable growth and resilience of Islamic green finance initiatives, open doors for Takaful operators (ITOs) to emerge as leaders in facilitating a more resilient and ethically grounded transition to a sustainable economy (Mahadi, 2023). The integration of climate risk considerations into Takaful sector business models presents both formidable challenges and considerable opportunities. The challenges stem from the unprecedented scale and complexity of climate-related perils, including physical risks (e.g., extreme weather events) and transition risks (e.g., policy changes, technological disruptions).

Expanding on contemporary risk management strategies, Takaful/insurance schemes are currently under rigorous investigation for their potential to provide crucial takaful/insurance coverage against highly specific environmental perils. These include, but are not limited to, agricultural losses stemming from climate-change induced crop failures and infrastructure damage impacting renewable energy installations (Njiforti, 2022).

The transmission of climate-related risks to existing financial risk types is a complex and evolving phenomenon. For ITOs, grasping how climate-related risks translate into existing financial risk types is crucial for their long-term stability, profitability, and positive societal influence; thus, proactive risk management, transparent disclosures, and innovative product development are essential for navigating this challenging environment.

Table 1. Transmission of Climate-Related Risks to Existing Types of Risks



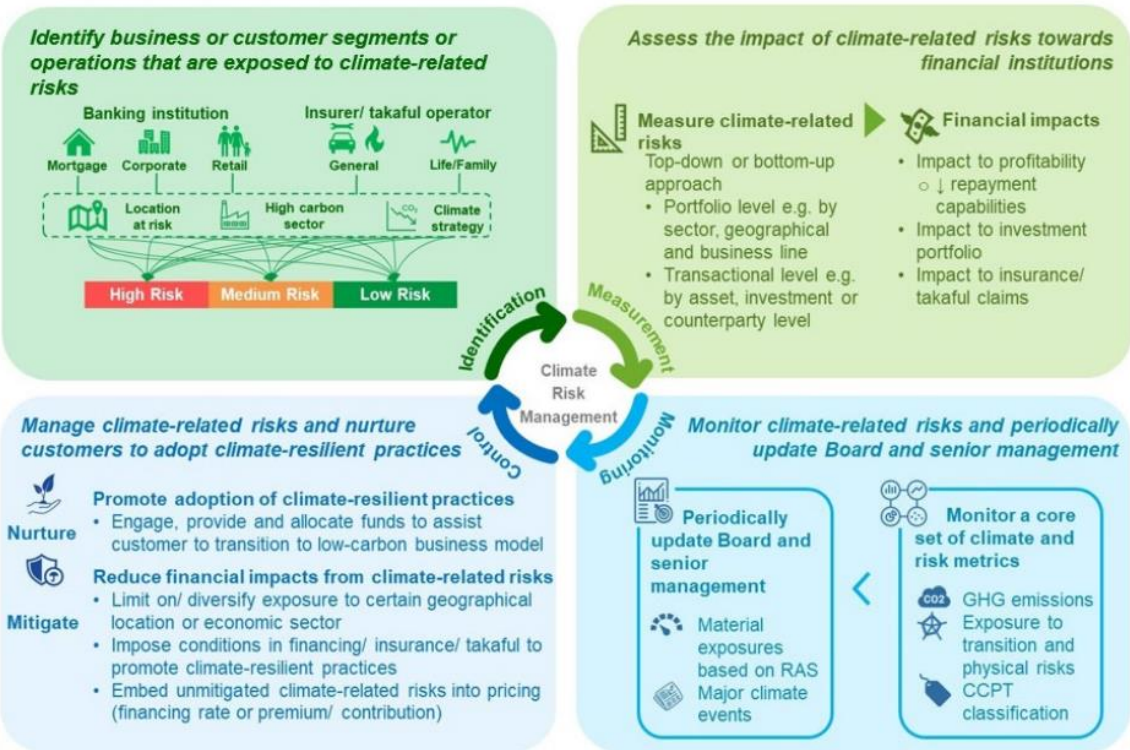
Source: Bank Negara Malaysia (BNM), (2025).

As illustrated by the BNM (2025) in Table 1, credit risk intensifies as severe weather events directly undermine corporate and individual repayment capacities, stemming from damaged assets, disrupted operations, and diminished collateral values, thereby escalating both probabilities of default (PD) and loss given default (LGD). Concurrently, market risk is profoundly influenced by shifting sentiments and regulatory changes concerning carbon-intensive sectors, precipitating volatile and often downward market valuations that lead to significant investment losses. The stability of financial institutions is further challenged by liquidity risk, as post-disaster scenarios trigger surges in deposit withdrawals, facility drawdowns, and insurance/ takaful claims, severely straining liquidity buffers. Operational risk broadens to encompass disruptions from physical damage to infrastructure and data centers, alongside the burgeoning threat of climate-related lawsuits targeting financial institutions for inadequate risk management and disclosure, and potential reputational damage from evolving consumer preferences for climate-friendly practices. Finally, Insurance/Takaful underwriting risk faces a dual challenge: a surge in insured/covered losses due to more frequent and intense natural catastrophes, increasing weather-related claims; and a widening insured/covered gap as limited underwriting capacity struggles to meet rising physical risks while remaining constrained by customer willingness to pay.

These interconnected risk transmissions underscore the imperative for innovative solutions within Islamic Green Finance, where Takaful, with its principles of mutual assistance and shared responsibility, offers a compelling framework for collective risk mitigation and resilience building in the face of climate change.

As delineated by Bank Negara Malaysia (BNM, 2025) in Figure 1, the Climate Risk Management Cycle offers a meticulously structured framework indispensable for financial institutions navigating climate-related risks. The cycle encompasses four key stages: Identification, Measurement, Monitoring, and Control, each playing a vital role in mitigating the impact of climate change on financial stability. The identification phase involves recognizing high-risk sectors and customers based on carbon intensity, geography, or business strategy. Measurement assesses these exposures through top-down or bottom-up approaches, evaluating financial implications on profitability, investment, and claims. The monitoring phase ensures regular updates to management using key metrics like greenhouse gas (GHG) emissions and exposure to transition risks. Finally, the control phase nurtures climate resilience by promoting sustainable practices and embedding risk into pricing mechanisms. Integrating robust risk frameworks into Islamic finance significantly bolsters both financial inclusion and resilience (Hussain et al., 2020). This strategic integration positions Takaful as a highly viable and ethically aligned solution for mitigating climate vulnerabilities (Mohd Zain et al., 2024).

Figure 1. Illustration of Climate Risk Management Cycle



Source: Bank Negara Malaysia (BNM), (2025).

4. Discussion and Analysis

4.1. Climate Change- Related Risk

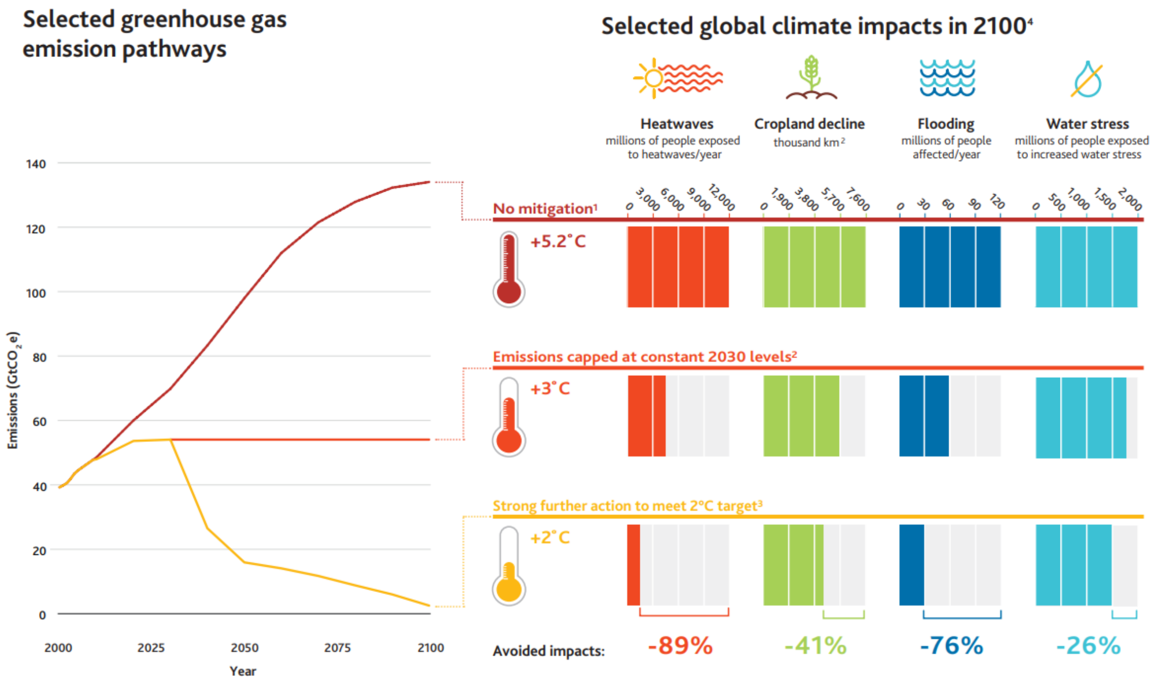
Since 2015, climate risks and other sustainability factors have increasingly dragged into the core of the financial system function, through different measures and actions. These and other developments have prompted supervisory authorities to examine climate change's relevance for insurance supervision, both individually and collaboratively through the Sustainable Insurance Forum (SIF) (IAIS, 2018). These studies have not only supported the sector which provides financial protections for individuals and businesses but also demonstrated the benefits of collaboration between different sectors to help expedite the development and convergence of best practices.

Climate-related risk is recognised as a significant emerging risk affecting many sectors, and one of many sources of structural change affecting the financial system (CFRF, 2020). It may have an impact on the resilience of individual financial institutions, including insurance/takaful sector, as well as on financial stability through physical risks and transition risks (Golnaraghi, 2022). From insurance industry's perspective, climate change is not a new risk rather it is a modifier or accelerator of existing risks. Similarly, takaful industry has traditionally been exposed to environmental-related physical climate risks such as floods, earthquakes, hurricanes, typhoons, tsunamis, volcanic eruptions, and rising sea levels, which have cascading impacts across the financial system, including on investment companies and banks, particularly where risks are not insured (IAIS, 2018). For instance, they can reduce the value of assets held by households, banks and investors, which reduces the profitability of firms, leading to a deterioration of corporate balance sheets. This can have a direct impact on the value of investments made by financial institutions and can also increase credit risk for banks if the affected assets serve as collateral for bank loans. If banks do suffer significant losses, they could restrict lending, further exacerbating the financial impact of physical risks through a reduction in credit supply (Bank of England, 2017). Therefore, financial institutions are currently deepening its activities in insurance, and initiating an internal review of the impact of climate change on Prudential Regulation Authority (PRA) regulated institutions in the world banking sector.

While physical risks arise from increased damage and losses from physical phenomena associated with both climate trends (i.e. changing weather patterns, sea level rise) and events (i.e. natural disasters, extreme weather), transition risks may be motivated by policy changes, market dynamics, technological innovation, or reputational factors. Policy and regulatory measures may affect specific classes of financial assets relevant to insurance and takaful operators' (ITOs) investment (such as real estate portfolios), in addition to those affecting capital markets as a whole.

To demonstrate this, Chart 1: Emissions Scenarios and Climate Impacts in 2100 illustrates predicted climate impacts for three scenarios: no mitigation, emissions capped at constant 2030 levels, and an emission pathway consistent with the 2°C (Bank of England, 2017). As can be seen, a no mitigation scenario results in the highest predicted increase in global temperature and most severe climate impacts. These climate impacts, such as flooding, increase the physical risks from climate change and can result in financial losses and economic disruption.

Chart 1. Emissions Scenarios and Climate Impacts in 2100



Source: Bank of England (2017)

Understanding the impacts of climate change has become a top priority and future focused ITOs will need to embed climate risk mitigation strategies into their operating and business models. Takaful operators' liability exposures will bear the brunt of riskier and unpredictable risk underwriting due to climate change and societal issues. The influence of physical climate change risk on takaful operators' underwriting, and particularly their investment decisions, is likely to grow, especially for new business lines or projects, as social and regulatory pressures push more operators to take the issue of climate change risk into account.

Takaful operators' underwriting has often come under certain regulatory requirements, for example, motor third-party liability lines (for bodily injury or property damage) and workers' compensation (for workplace injury). As legal and regulatory frameworks develop to better manage environmental and social issues, this may spur the growth of products and services that directly address these needs. For instance, growth is anticipated within the environmental pollution liability market, which remains voluntary in most markets, except China, Korea and Germany.

The general takaful business has shorter investment horizons and tends to invest mainly in highly liquid asset classes in terms of the investment horizon. In contrast, family takaful businesses are comparatively more susceptible than their general takaful peers to stakeholder pressure on their stewardship of longer duration investment portfolios. The long-term nature of investment portfolios (particularly family takaful business) exposes them to transition risk-related changes in government policies and public attitudes towards non-sustainable industries and companies. If family takaful operators do not invest wisely, they could be exposed to lower investment returns, from so-called stranded assets that may become increasingly illiquid, or investment losses.

Climate change poses varying levels of physical and transition risk to both sides of the balance sheet (liabilities and assets) for takaful operators. Therefore, the assessment of the overall risk exposure of a takaful undertaking (TU) should take into account emerging risks arising from climate change in order to address the dependencies and interrelationships between risk categories (e.g., underwriting risk and market risk) as well as within a risk category (e.g., equity risk). This should include an assessment of potential reinforcing effects between different risk types, as well as potential "second-order effects" that is, indirect effects to a TU's exposure caused by physical risks arising from climate trends (e.g., sea-level rise) and related extreme events, and transition risks associated with the transition to a low carbon economy which may trigger among other things, new market dynamics and policy changes. The time horizon over which the risk manifests itself is a key factor and varies across the different lines of business and investments, which adds to the complexity of assessing climate risk impacts.

4.2. Opportunity Presented by Climate Change Risk

While climate change poses some risks for the takaful sector, it also presents opportunities for the sector to build resilience. Important developments have been experienced on the climate science, policy, technology, litigation and regulatory fronts, with implications for companies' efforts to assess the impacts of climate change-related risks and opportunities on their business model.

However, the increasing frequencies of high severity impact may require takaful operators to rely on state support to preserve coverage for the worse affected segments, particularly for households. We believe that 'facilitating the transition' will become a vital route for the worst affected policyholders to continue to obtain policy cover (potentially at a much higher cost of premium), to manage the potentially costly transition to a low carbon economy.

It is important to recognise that takaful operators, within their role as risk managers, risk carriers and risk investors, may be well versed in understanding the dynamics of such extreme events, and may be able to adjust exposures through annual contract repricing. Fortunately, the sector is well placed to build resilience against the impacts of climate change and support the transition to a low carbon economy. Moreover, given their expertise in risk assessment, takaful operators are well positioned to produce meaningful and decision useful information that is already deeply embedded in undertakings' risk management, underwriting and investment processes.

Beyond losses from physical climate loss events, climate trends and shocks can pose economic disruptions affecting takaful operators', the economy, and the wider financial system. The "protection gap" for weather-related losses remains significant, resulting in a significant burden on households, businesses, and governments (Network for Greening the Financial System, 2018).

It may be highlighted that takaful operators' decision making on climate change issues will be steered by risk appetite defined at the governing board and delegated board levels, which will be subject to change over time as internal knowledge and experience grow. This will include a discussion of which climate change issues are most material across the lines of business from either a financial or regulatory/supervisory perspective, or whether stakeholders are raising specific climate change-related issues that may result in reputational or ethical risks. For instance, unlike banking, the role of the sector as a risk carrier can hardly or often readily be substituted or replaced by any other institution which can sometimes be substituted by accessing capital markets. The lack of shipping coverage, and plant or equipment cover can often make certain business activities economically unviable. The lack of substitutability is indicative of the pressure that the sector can exert on industry sectors, which other financial services providers are less well placed to do.

ITOs' stewardship activities on investment portfolios are likely to remain of greater importance than their investment in labelled financial instruments, such as green and social sukuk, even though the focus of impact investing is turning towards generating a positive climate change impact alongside the more popular environmental or "green" benefit. There is increasing demand for more innovative parametric or index-based cover that may complement existing catastrophe insurance, particularly for weather-related events. For instance, Modelling for weather-related perils can be enhanced through the provision of improved datasets such as Synthetic Aperture Radar data from satellites, which can peer through cloud cover to collect near real time insights on the potential consequences of flood events. This allows takaful operators to assess the potential impact of a flood on their portfolio within 24 hours of the water's peak. In turn, this can enhance underwriting's reserving and claims handling process with a faster response time.

4.3. Management of Climate Change Risk

Identifying and evaluating risks, as well as offering protection against them, is at the heart of the takaful business. Accordingly, it is not surprising that takaful operators' strategy on climate change risk is primarily focused on risk management. Managing and limiting these costs demands a much broader awareness and understanding of the risks.

SwissRe data shows that insured losses and perils are increasing across regions by 5-7% each year. Businesses, for example, need to take a long-term perspective on their risk and not rely solely on experience or historic data to inform future strategy. More strategic use of data can improve modelling and help the public and private sectors better understand where risks lie. This will also help close the protection gap, ensuring the right cover is sought and accurate costs are reflected in premiums.

Accurately pricing climate risk is crucial for business and financial institutions to effectively navigate the challenges posed by climate change. It supports proactive risk management, assists other financial market participants to better understand/value the risks taken and drives the transition to a more resilient and environmentally conscious economy.

Although many takaful operators have always included factors such as extreme weather events and people's health in risk analysis, stress test and scenario analysis. These tools are increasingly deployed by operators and regulatory authorities to consider plausible representations of what might happen to liability risks, and, particularly for family takaful business lines, their investments, under more extreme environmental risks linked to climate-change scenarios. The scenarios used are based on different future paths of climate policies, technological developments and consumer behaviour, which aim at limiting the rise in global temperatures, typically over a long-time horizon (e.g. over 30 years).

The latest science on climate change mitigation and adaptation, updating climate change scenarios and stressing the need for more immediate and large-scale reductions of greenhouse gas (GHG) emissions to meet the Paris Agreement (CarbonBrief, 2022). On the other hand, discussions at COP26 pointed to a number of large-scale public and private sector alliances already working to accelerate the development and scale-up of new climate technologies for decarbonising major GHG emitting sectors.

Climate change scenario analysis methodologies are a developing discipline. Given uncertainties surrounding the modelling of climate outcomes, such techniques are likely to be more useful in supporting discussions among operators and their regulators, on their climate risk strategy. Results from future tests will also be useful in meeting the growing stakeholder demands for insurers to disclose vulnerabilities to climate change risks. Some regulators (French) in 2021 piloted a climate stress test projected that large insurers' vulnerabilities from physical risk events could lead to the cost of claims rising over 30 years by a factor of five or six. However, total investment losses linked to transition related risks were projected at just 3% of participating insurers' French financial assets by end 2050 under the harshest scenario (Fitch Ratings, 2021).

The Bank of England's pilot climate stress test results in May 2022, which utilises harsher assumptions than the earlier French climate test, projected that life insurers' equity and long-duration corporate bond portfolios would account for the majority of projected investment losses of about 15% of total market value. Non-life insurers were projected to face much higher physical risks, with estimated increases in annual losses from UK liabilities up to four times higher than firms' own projections (Fitch Ratings, 2022).

Mandatory regulatory requirements for climate change risk disclosure are imminent. Furthermore, following the COP26 announcement by the International Financial Reporting Standards (IFRS) Foundation about the establishment of its International Sustainability Standards Board (ISSB), the development of global baseline standards for sustainability reporting, with a focus on climate change, is underway (The Geneva Association, 2022).

According to Bank Negara Malaysia (2022), the primary concern of ITOs in relation to climate-related risks would be the concentration of their insured/covered risks to geographical areas that are prone to natural calamities. Several ITOs have in place tools to identify and monitor the concentration of portfolio in areas susceptible to climate-related risks and enable the ITOs to take prompt corrective actions to reduce any adverse financial impact arising from increased claims that have to be paid out.

5. Conclusion

Physical, transition and liability risks arising from climate change affect the success of sustainable projects of households, businesses, and governments; and put significant burden on ITOs' business risk profile, underwriting strategy and underwriting processes. ITOs help mitigate these risks by providing the community with fair coverage and financial protection. Over the past 20 years, ITOs have developed more sophisticated approaches to modelling risks from catastrophes and other weather-related events, where the climate-related risks within underwriting risk is likely to be dependent on various elements (e.g., duration of the contract, frequency and severity of climate events, localisation of the goods and persons covered, impact of perils on their policies, reinsurance agreements, terms and conditions). It confirms that ITOs as solution to climate changed risks and ITOs operate on cooperation and shared responsibility, safeguarding investments in Islamic green finance and promoting stability in the industry.

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Zakat and Its Role in Achieving Main Pillars of Sustainable Development Goals (SDGs) in Indonesia

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ABSTRACT

As Islamic social finance, zakat has the potential to support the achievement of the Sustainable Development Goals (SDGs) in Indonesia. The economic, social, and environmental pillars are the three core pillars of the SDGs. This study aims to analyze the role of zakat in achieving these three main pillars of the SDGs in Indonesia. Using regression model estimation, we found that (1) in terms of the economic pillar, zakat has a positive contribution in boosting national economic growth and decreasing the unemployment level in Indonesia. (2) In terms of the social pillar, zakat not only contributes to decreasing poverty but also to the increasing the level of education in Indonesia. (3) In terms of the environmental pillar, zakat in Indonesia also contributes to improving and supporting access to clean water and sanitation for all Muslim communities, especially the poor people. Therefore, this study concluded that zakat has a positive impact on social and economic welfare as well as on overcoming environmental problems. Furthermore, , the model in this research is robust, as confirmed by a robust test The empirical findings are expected to provide an alternative policy for government authorities to continue creating and promoting zakat programs to support the achievement of the main pillars of the SDGs in Indonesia.

1. Introduction

The sustainable development goals, or SDGs are a global commitment applicable to all countries. The SDG comprises 17 goals which can be divided into three main dimensions or pillars, namely: Economic dimension (including Goals 7, 8, 9, 10, and 17); Social dimensions (including Goals 1, 2, 3, 4, 5, and 16); and Environment dimension (including Goals 6, 11, 12, 13, 14, and 15) (UNDP, 2021; Bansal et al., 2021).

The SDGs aims to benefit both the current and future generations (Miroshnichenko & Brand, 2021). Ermelena (2017) in Risanti et al. (2020) mentioned that there are six essential elements of SDGs

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namely Planet, People, Dignity, Prosperity, Justice and Partnership. Therefore, SDGs will address issues and problems such as reducing the level of poverty, hunger, and inequality, while simultaneously increasing the quality of education, good health, and well-being through inclusive economic growth inclusively and also supporting environmental welfare.

Indonesia is one of the countries that are committed towards achieving the SDGs. As a country with the largest Muslim population in the world, zakat as an Islamic social finance instrument, has the potentials to address many issues facing the Muslim community in Indonesia (Indrawan & Herman, 2017). As mentioned by Metwally (1997), zakat is an essential cornerstone of financial structure in the Islamic economy. As one of the religious obligations of Islam religion, zakat has multi-dimensional impacts such as reducing poverty in realizing social and economic well-being, supporting efficient allocation, achieving the security of social goals, the distribution of personal income as well as national economic growth inclusively (Saputro & Sidiq, 2020). Kashif et al. (2018) mentioned that zakat provides the benefits for human living, for economic prosperity, and social well-being.

Moreover, Sulaeman and Ninglasari (2020a, 2020b) mentioned that the Muslims in Indonesia have the intention to pay zakat even during the crisis. Fajarudin (2019) mentioned that the Islamic social finance fund like zakat has a great potential for supporting any social program of the national government in Indonesia. According to Al Arif (2013), zakat supports the poverty reduction program of the national government in Indonesia where zakat can be an alternative source of funds to alleviate the poverty level and to achieve the social well-being of Muslim society. Al-Faizin et al. (2017) mentioned that zakat funds have a significant impact on the social aspect such as to create the Muslim security of life as well as to create the harmony of life for many Muslim community. Therefore, zakat has a bright potential to support the national agenda for achieving the SDGs in Indonesia.

In the previous empirical studies, there are several research which identified how the role of zakat may contribute to economic, social, and environmental. This includes Sulaeman et al. (2021) which documented a positive impact of zakat on social and economic welfare in Indonesia. Other researchers such as Anggraini (2016); Ardhiastuti (2018) and Munandar et al. (2020) have conducted empirical tests on the nexus between zakat and social and economic well-being. Despite this, there is limited empirical studies investigating specific areas of zakat, especially its role in achieving social, economic as well as environmental welfare in the context of Indonesia.

This study intends to extend the study of zakat and three main pillars of SGDs in Indonesia based an empirical analysis approach of multiple regression estimation model. This empirical research will focus on: (1) analyzing empirically the roles of zakat in affecting economic, social, and environmental pillars of the SDGs in Indonesia; and (2) providing policy recommendations for relevant implementing agencies such as BAZNAS and LAZ for enhancing the optimization of the great potential of Islamic social finance from zakat funds in Indonesia.

2. Literature Review

2.1. Definition of Zakat

Zakat is one of the five pillars of the Islamic religion, thuspaying zakat is mandatory/obligatory upon Muslims who meet the requirements of zakat (Owoyemi, 2020). Literally, zakat is defined as a purity and cleanness of maal or Muslim wealth, where zakat will cleanse the wealth (maal) of the payers (the Muzakki) and also will purify the zakat payers' hearts (Shad, 1986 in Samad & Glenn, 2010). Al-Qaradawi defined zakat as "growth" since fulfilling the obligation to pay zakat would enable the wealth of the payers to further grow and becoming more fertile (Samad & Glenn, 2010).

2.2. Objectives of Zakat Payment

According to Bilo and Machado (2020); Saad and Farouk (2019); and Samad and Glenn, (2010), in Islamic economic theory, paying zakat has main objectives such as reducing the level of poverty, maintaining the justice of social and economic pillars, protecting wealth, protecting the social problems; to purify Muslim wealth, to remove stringiness, and also to remind the Muslims to be thankful to Allah *ta'ala*.

Al-Faizin et al. (2017) said that the zakat payment as obligatory has an objective of ensuring redistribution system from Muslim wealth which are between eight zakat recipients or *mustahiq* and zakat payers or *muzakki*. Concurrently, they highlight zakat's crucial role in fostering societal balance within Muslim communities. Furthermore, zakat drives from several sources of wealth such as from the investment activities, saving in banks, trade activities, and plantation activities (Indrawan & Herman, 2017).

2.3. Development of Zakat in Indonesia

In Indonesia, there are several regulations supporting the development of zakat such as the regulation on No. 23/2011 about the zakat management. The Badan Amil Zakat Nasional (or BAZNAS) has important role to support the development and management of zakat including zakat collection and distribution for supporting the Indonesian economy, education quality, good health, and social welfare goals. According to the National Zakat Statistics from BAZNAS in 2019, there were 34 regional zakat institutions and 456 regency zakat institutions throughout Indonesia. Besides, there were 26 national management of zakat organizations (or Organisasi Pengelola Zakat – OPZ), 18 zakat organizations, and 37 regional zakat organizations (BAZNAS, 2020).

Based on the development of zakat in Indonesia, the potentials of zakat have always increased every year. This is reflected by the increase in zakat collection by approximately 10.2 trillion IDR or 84.95% in 2019 (BAZNAS, 2020), while in 2020, zakat collection has increased to 327.6 trillion IDR in 2020. Zakat collection in Indonesia is dominated by zakat paid by corporations amounting to 144.5 trillion IDR, and 139.07 IDR trillion is collected from goods and services. Other sources of zakat collections include zakat collected through cash (58.76 trillion IDR), livestock (9.51 trillion IDR), and agricultural sectors (19.79 trillion IDR) (Center of Strategic Studies the National Zakat Board, 2021). Clearly, Indonesia has a great potential to collect zakat from Muslim society to support national economic growth inclusively through zakat institutions like BAZNAS.

2.4. Overview of Sustainable Development Goals (SDGs)

The SDGs, implemented by the United National Development Program (UNDP) subsequent to the Millennium Development Goals (MDGs) era, represent a more expansive, intricate, and universally applicable framework encompassing a broader spectrum of developmental aspects. The SDGs framework holistically integrates the social, economic, and environmental sustainability. This framework comprises 17 goals and 169 targets, each operationalised through a suite of selected indicators. Therefore, the 17 goals serve as a global blueprint that improve conditions for both people and the planet, with an overarching aim for achievement by 2030 (UNDP, 2022).

Furthermore, the 17 SDGs represent the economic, social, and environmental pillars (Boar et al., 2020). First, the economic pillar aims to achieve the quality of economic growth through industry innovation and inclusion, sustainable employment sustainability, and achieving opportunities for business, good infrastructure, clean energy, and also supporting the global partnership.

Second, the social pillar, in essence, proposes the fulfilment of the basic quality of human rights in justice for achieving well-being. Last, the environmental pillar, proposes to achieve natural resources sustainability and a friendly environment for supporting better human life (Eisenmenger et al., 2020; Swain & Yang-Wallentin, 2020; UNDP, 2022).

2.5. Development of SDGs in Indonesia

Indonesia's commitment to sustainable development is evident in its progress toward the SDGs, ranking 82 out of 163 countries with an index score of 69.2 in 2022 (United Nations, 2022). This shows that Indonesia is moving towards economic sustainability and prosperity, while simultaneously safeguarding social life, environment quality, and inclusive development. Indonesia recognizes the critical imperative to eradicate poverty, build national economic growth, and meet multiple social needs, including education, good health, and equality, as well as employment opportunities. Furthermore, the country is dedicated to mitigate climate change and improving ecosystem conservation. Therefore, Indonesia remains steadfast in its commitment to realizing all17 SDGs (BPS RI, 2021; Indonesia Sustainability, 2022).

The SDGs implemented in Indonesia are divided into three dimensions, it's social, economic, and environmental. Each dimension can be monitored through specific indicators, as illustrated by Setianingtias et al. (2019) in Table 1.

Table 1. SDGs Classification by Three Dimensions

Dimension	Indicator	Proxy
Social	SDG 1, 2, 3, 4, 5, 16	Poverty rate, Life expectancy, Married women whose births were assisted by trained health personnel, Married women whose last delivery was in a health facility, total fertility rate, and the proportion of adolescents and adults with technology skills.
Economic	SDG 7, 8, 9, 10, 17	GDP per capita, employment rate, unemployment rate, household gas usage, household access the internet, and proportion of individuals who used smartphones.
Environment	SDG 6, 11, 12, 13, 14, 15	Access to adequate water sources, access to proper sanitation services, and access to adequate and affordable housing.

Source: Setianingtias et al. (2019)

2.6. Previous Study

Previous empirical research relating zakat in achieving the three main pillars of SDGs such as from economic, social, and environmental have been quite enriching, however, studies relating the role of zakat role in environmental sustainability are still rare to find. In relating zakat and the economy, Suriani et al. (2021) examined between zakat and macroeconomic variables using quantitative analysis. The study found that zakat can influence sustainable development in the Aceh Province by significantly affecting the poverty level, hence the study concluded that zakat is the solution to reduce poverty, as an indicator of the social dimension.

Sulaeman et al. (2021) examined empirically the impact of zakat on Indonesian socio-economic welfare. From the results of multiple regression methods, they found that zakat can boost national economic growth and also increase the purchasing power of society. Further, zakat was found to effectively eradicate national poverty before the pandemic crisis.

Suprayitno (2020) examines the impact of zakat distribution on macroeconomic in Indonesia, used quantitative analysis. They concluded that zakat contributes significantly to enhancing the economic growth. This finding aligns with Fitriyanti et al. (2019), who found that the distribution of zakat funds positively affects economic development variables, and negatively impacts unemployment in Bangka Belitung.

Research by Saputro and Sidiq (2020) identifies the substantial impact of zakat, infaq, and sadaqah (ZIS) funds on regional economic growth, the human development index, and health programs within Baitul Maal Aceh. The empirical findings indicate a strong correlation between ZIS funds and improvements in regional economic growth and social programs, particularly across human development index, education, and health sectors. Then the research by Hudaefi et al., (2020) explores practical experiences and the impact of zakat funds in supporting the environmental dimension of the SDGs, using qualitative analysis of the BAZNAS project in Kendal village, Indonesia, based on observation and interviews. The results show a direct correlation between zakat distribution and enhancements in health, access to clean water, and sanitation.

Furthermore, Munandar et al. (2020) examine the relationship between ZIS fund, economic growth and poverty from 2006 to 2017 in Indonesia. Using a multiple regression method, they found that ZIS funds contribute to a reduction in Indonesian poverty level. Meanwhile, while Indonesia's economic growth has insignificant individual effects on poverty rates, the simultaneous empirical results underscore the combined impact of ZIS funds on both national economic growth and poverty reduction in Indonesia.

In other empirical research, Bayinah (2017) examined the influence of zakat's role on regional purchasing power and regional economic growth in Aceh from 2011 to 2015. Her findings indicate that zakat plays an important role in boosting regional purchasing power and economic growth for Muslim society in Aceh. Anggraini (2016) examined that the relationship between ZIS funds, inflation and Indonesian economic growth during the period of 2011 to 2015. By using a regression model, she found that the ZIS funds impact macroeconomic variables such as Indonesian economic growth except the inflation level. Ardhiastuti (2018) conducted an empirical analysis exploring the nexus between zakat distribution and the income of zakat recipients based on report from Rumah Zakat in Solo. She concluded that zakat distribution positively affects the income of zakat recipients.

2.7. Hypothesis and Research Framework

Based on prior research, we summarize six hypotheses examining the impact of zakat on the three main pillars of the SDGs namely economic, social, and environmental. These arethe hypotheses:

H1. The zakat role positively affects the Indonesian economic growth as an economic pillar.

H2. The zakat role negatively affects the Indonesian unemployment level as an economic pillar.

H3. The zakat role negatively affects the Indonesian poverty level as a social pillar.

H4. The zakat role positively affects the Indonesian education level as a social pillar.

H5. The zakat role positively affects the Indonesian clean water as an environment pillar.

H6. The zakat role positively affects the Indonesian sanitation as an environment pillar.

3. Research Methodology

3.1. Data Collection and Variable Description

We use secondary data collected from the annual financial reports of BAZNAS accessed in www.baznas.go.id; the Badan Pusat Statistik (BPS) accessed in www.bps.go.id; and the World Bank

Database accessed in https://databank.worldbank.org. All collected data is from 2002 to 2023. The range of data describes the growth conditions of zakat in Indonesia over the past two decades. For the detail explanations of the data variables, we summarized all data in Table 2 below.

Table 2. Description of Research Variables

Variable		Indicators	Sources
Dependent Variable as Three Main Pillars of SDGs			
Economic Pillars	Economic Growth	GDP per capita (constant 2015)	World Bank
	Unemployment	Unemployment rate (annual %)	World Bank
Social Pillars	Poverty	Headcount ratio (% of population)	World Bank
	Education	Mean Years School (Year)	*Badan Pusat Statistik* (BPS)
Environment Pillars	Clean Water	Access to improve water (%)	*Badan Pusat Statistik*
	Sanitation	Access to adequate sanitation (%)	*Badan Pusat Statistik*
Independent Variables			
Zakat	Collection of zakat	The total of zakat collection fund (Rp)	BAZNAS
	Distribution of zakat	The total of zakat distribution fund (Rp)	
Control Variables			
Macroeconomic	Inflation	Consumer prices (annual %)	World Bank
	Population	Population growth (annual %)	World Bank

Source: Authors' own

3.2. Specification Empirical Models

In this empirical research, the specification models are outlined by Sulaeman et al. (2021), using the total of zakat collection fund and zakat distribution fund, we applied as zakat variable. While inflation rate and population growth are employed as macroeconomic or control variables. The independent variables comprise both zakat-related and macroeconomic variables. Whereas dependent variables in this study are comprehensive indicators of the three main pillars of the Sustainable Development Goals (SDGs) in Indonesia namely: (1) Economic growth and unemployment rates serve as proxy variables for economic pillar, (2) Poverty level and education indicators are utilized as proxy variables for social pillar, and (3) Clean water access and sanitation are employed as proxy variables for environmental health (see Table 2). To test all formulated hypotheses for this study, we attempt to use a multiple regression model based on the econometrics guidelines by Gujarati & Porter (2012).

There are three specification empirical models:

Model (1) Economic Pillar

- Equation 1.1

$$Economic\ Growth_t = \beta_0 + \beta_1 Zakat_1 + \beta_2 Inflation_2 + \beta_3 Population_3 + \varepsilon_t \quad (1)$$

- Equation 1.2

$$Unemployment_t = \beta_0 - \beta_1 Zakat_1 + \beta_2 Inflation_2 + \beta_3 Population_3 + \varepsilon_t \quad (2)$$

Model (2) Social Pillar

- Equation 2.1

$$Poverty_t = \beta_0 - \beta_1 Zakat_1 + \beta_2 Inflation_2 + \beta_3 Population_3 + \varepsilon_t \quad (3)$$

- Equation 2.2
  $Education_t = \beta_0 + \beta_1 Zakat_1 + \beta_2 Inflation_2 + \beta_3 Population_3 + \varepsilon_t$ (4)

Model (3) Environment Pillar

- Equation 3.1
  $Clean\ Water_t = \beta_0 + \beta_1 Zakat_1 + \beta_2 Inflation_2 + \beta_3 Population_3 + \varepsilon_t$ (5)
- Equation 3.2
  $Sanitation_t = \beta_0 + \beta_1 Zakat_1 + \beta_2 Inflation_2 + \beta_3 Population_3 + \varepsilon_t$ (6)

Where t = periods, β_0 = constant term; $\beta_1, \beta_2, and\ \beta_3$ = coefficient of independent variables; and ε = error term.

4. Results and Discussion

4.1. Descriptive Statistics

The descriptive statistical analysis presents quantitative data and provides an overview of minimum, maximum, mean, and standard deviation values (Ferdinand, 2014). This study incorporates 22 annual data observations, with the results of the descriptive statistics presented in Table 3.

The dependent variables exhibit the following mean values: the economic growth (natural logarithm) at 7.96, unemployment at 5.52, poverty level at 71.31, education at 7.54, clean water at 62.51, and sanitation at 55.98.

The independent variable, the mean value for Zakat collection, after natural logarithmic transformation, is 23.97, with a range spanning from a minimum of 19.51 to a maximum of 26.83. Zakat distribution has 23.67 for mean value with natural logarithm and the highest value is 26.68 and the smallest value is 18.42. Among the macroeconomic variables, inflation records a mean value of 6.01, and population a mean of 1.27.

Table 3. Descriptive Statistics

Variables	Mean	Median	Max.	Min.	Std. Dev.
Economic Growth	2929	2915	2377	1968	650
Unemployment	5.52	4.83	8.06	3.62	1.50
Poverty	71.31	71.80	88.60	50.20	13.99
Education	7.54	7.55	8.54	6.68	0.59
Clean Water	62.51	64.41	90.87	44.19	15.86
Sanitation	55.98	56.47	80.29	35.03	15.10
Zakat Collection	87.20	367	448	296	120
Zakat Distribution	77.20	341	387	99.9	106
Inflation	6.01	5.71	13.11	1.56	3.20
Population	1.27	1.33	1.36	1.03	0.11
Natural logarithm Variables					
*Economic Growth	7.96	7.98	8.26	7.58	0.23
*Zakat Collection	23.97	24.32	26.83	19.51	1.98
*Zakat Distribution	23.67	24.25	26.68	18.42	2.24
Note: * is sign for variables transformed into logarithm Natural (LN)					

Source: Authors' own

4.2. Classical Assumption Testing Results

Based on Table 4, the classical assumption testing results show that the regression model demonstrates its suitability for analyzing the nexus between the dependent and independent or explanatory variables. The regression model exhibits a normal distribution and shows no indication of multicollinearity. While the Durbin Waston statistic for the autocorrelation test was inconclusive, the LM test (Breusch-Godfrey) indicated no autocorrelation.

Table 4. Results of Classical Assumption Testing

Classical Assumption Testing		Indicators	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
			Economic Growth	Unemploy -ment	Poverty	Education	Clean Water	Sanitation
Multicollinearity	Variance Inflation Factors (VIF)	Centered VIF < 10	NO	NO	NO	NO	NO	NO
Autocorrelation	B-G Serial Correlation LM Test	P-value > 0.05	NO	NO	YES	NO	NO	NO
Linearity	Ramsey RESET Test	P-value > 0.05	YES	YES	NO	YES	YES	YES
Normality	Jarque-Berra	P-value > 0.05	NO	NO	NO	NO	NO	NO
Heteroscedasticity	Breusch-Pagan-Godfrey Test	P-value > 0.05	NO	NO	NO	NO	NO	YES

Source: Authors' own

4.3. Effect of Zakat's Role on Economic Pillar of SDGs

As demonstrated in Table 5, the total collection and distribution of Zakat has an effect on the economic pillar of SDGs in Indonesia, with economic growth and unemployment identified as key dependant variable.

Based on the empirical results, both zakat collection and distribution directly increase Indonesian economic growth, as proxied by per capita income. Where both the total of zakat collection and distribution fund are significant at the 1% level, exhibiting a positive relationship with national per capita income. The respective coefficient values of 0.112227 (zakat collection) and 0.098828 (zakat distribution) indicate that the increase of zakat collection and distribution areassociated with 11.22% and 9.88% increases of economic growth in Indonesia.

In other word, the higher the collection of Zakat from muzakki and its subsequent distribution to mustahiq in Indonesia will have an impact in increasing economic development. This research results align with previous research by Suprayitno (2020) and Saputro and Sidiq (2020), both of whom assert a positive influence of zakat funds on national economic growth. Lahuri et al., (2021) states that the potential for significant economic growth through zakat in Indonesia could be optimized by the role of the Muslim population in Indonesia. Therefore, H1 is supported as shown in Table 8.

Based on the analysis presented in Table 5, the total collection and distribution of zakat directly have decreased the unemployment rate in Indonesia. Specifically, both the total collection and distribution of zakat exhibit a statistically significant negative correlation with the unemployment rate at the 1% level and a coefficient value of -0.620743 and -0.544103, respectively. The findings indicate that the increase of zakat collection and distribution is associated with the decrease of 0.62% and 0.54% of unemployment rate in Indonesia. These findings underscore the significant potential of zakat funds which has a negative and significant effect on unemployment. It is measured by annual unemployment rate. Our findings aligns with the research by Fitriyanti et al. (2019) who state that Zakat distribution influence negatively toward unemployment. Therefore, H2 is supported as shown in Table 8.

All the results indicate that the zakat potential in Indonesia has an essential role in supporting the achievement of SDGs, especially on the economic pillar. Besides, zakat is an Islamic financial instrument that can help economic problem (Amalia & Huda, 2020) and serves as a viable solution for national economy recovery in times of economic crisis.

Table 5. Effect of Zakat's Role on Economic Pillar of SDGs

Dependent Variables	Economic Pillar			
Independent Variables	(1) Economic Growth		(2) Unemployment	
Zakat Collection	0.112227*** (19.64089)		-0.620743*** (-6.061532)	
Zakat Distribution		0.098828*** -17.1952		-0.544103*** (-5.859964)
Constant	5.267711***	5.618712***	20.40441***	18.40323***
R-Squared	0.9554	0.9461	0.6712	0.6561
Adj. R-Squared	0.9529	0.9394	0.6529	0.6370
Prop. > F	385.7644 (0.000)	295.6751 (0.000)	36.74217 (0.000)	34.33918 (0.000)
Notes: ***, **, * is significance level of coefficients started from 1 %, 5 %, and 10 %.				

Source: Authors' own

4.4. Effect of Zakat's Role on Social Pillar of SDGs

In terms of social pillars, Table 6 illustrates a statistically significant relationship between the role of zakat and the social pillars of SDGs in Indonesia. Zakat demonstrates a measurable effect on key components of variable dependent, namely the poverty level and the education level.

Based on Table 6, we can conclude that zakat directly contributes to a reduction in Indonesia's poverty levels, as proxied by the national poverty headcount ratio. Where zakat is significant at 1% to the level of poverty with a negative relationship and with a coefficient value of -6.537079 and -5.731496, respectively. The findings indicate that the increase of zakat collection and distribution is associated with the decrease of poverty level between 6.54% and 5.73%.

The findings clearly indicate that an increase in zakat funds, encompassing both collection and distribution, correlates with a reduction in Indonesia's poverty level. This is proven that zakat contributes to a higher national income per capita, thereby improving the standard of living for impoverished Muslims. In line with the finding of Sulaeman et al. (2021) and Ardhiastuti (2018) who stated that both zakat collection and distribution positively influence *mustahiq* income and contribute to poverty alleviation in Indonesia. Furthermore, Munandar et al., (2020) also mentioned that zakat has positive role in eradicating Indonesian poverty level. Therefore, H3 is supported as shown in Table 8.

For the education level, based on Table 6, both zakat collection and distribution funds significantly contribute to an increase in the mean years of schooling in Indonesia. Zakat demonstrates a significant positive relationship with the education level, specifically at the 1% level, with a coefficient value of 0.287351 and 0.252020, respectively. The findings indicate that the increase of zakat fund is associated the increase of 28.73% and 25.20% of Indonesian education level. It means that the role of zakat both collection and distribution positively effect the education level in Indonesia. It is measured by mean years of schooling, which serves as a proxy. Therefore, H4 is supported as shown in Table 8.

Zakat plays a significant role in supporting the achievement of the social pillar in SDGs. Besides, zakat is as an Islamic social finance instrument which can boost the socio-economic welfare in Indonesia (Sulaeman et al., 2021). Zakat contributes to human and social development by improving the social welfare of the Muslim society in Indonesia.

Table 6. Effect of Zakat's Role on Social Pillar of SDGs

Dependent Variables	**Social Pillar**			
Independent Variables	**(1) Poverty**		**(2) Education**	
Zakat Collection	**-0.537079*** (-10.49963)**		**0.287351*** (14.47144)**	
Zakat Distribution		**-0.731496*** (-9.748300)**		**0.252020*** (12/81276)**
Constant	**228.0270***	**206.9883***	**0.6525**	**1.575432***
R-Squared	0.8596	0.8407	0.9209	0.9012
Adj. R-Squared	0.8518	0.8319	0.9165	0.8957
Prop. > F	110.2423(0.000)	95.02936(0.000)	209.4227(0.000)	164.1668(0.000)

Notes: ***, **, * is significance level of coefficients started from 1 %, 5 %, and 10 %.

Source: Authors' own

4.5. Effect of Zakat on Environment Pillars of SDGs

In terms of environment pillars, Table 7 shows the results of relationship between zakat and the environment pillars of SDGs in Indonesia. Specifically, zakat demonstrates an influence on the level of clean water and sanitation, both crucially environmental issues in Indonesia, as highlighted by Setianingtias et al., (2019).

Based on Table 7, we can conclude that the results of zakat both collection and distribution directly increase the access to clean water for poor societies in Indonesia. Zakat demonstrates significance at the 1% level, exhibiting a positive relationship with a coefficient values of 6.795365 for collection and 5.898599 for distribution, respectively. The findings indicate that the increase in zakat funds is associated with improved clean water access between 5.58% and 6.79%. Our findings indicate that the growing of zakat role is directly associated with enhanced clean water access in Indonesia. This is proven that zakat provides the facility of clean water for all communities specially for poor people in Indonesia. Therefore, H5 is supported as shown in Table 8.

For the sanitation level, based on Table 7, both zakat collection and distribution have a significant to an adequate sanitation in Indonesia. Specifically, zakat demonstrates a statistically significant impact at the 1% level. The coefficient values of 7.289702 and 6.364093, respectively. Our findings prove that zakat is associated with an increase of 7.29% and 6.36% in sanitation in Indonesia. It means that growing of zakat role increases the access of Indonesian sanitation. This is proven that zakat improves the facility of sanitation for all communities especially for poor people in Indonesia. Therefore, H6 is supported as shown in Table 8.

Furthermore, zakat has potential role in supporting the achievement of the environmental pillars of SDGs. Thus, as an Islamic social finance instrument, zakat can demonstrably boost the quality of living standards for poor people in Indonesia, particularly through enhanced access to clean water and sanitation.

Table 7. Effect of Zakat's Role on Environment Pillars of SDGs

Dependent Variables	**Environment Pillar**			
Independent Variables	**(1) Clean Water**		**(2) Sanitation**	
Zakat Collection	**0.795365*** (6.847904)**		**0.289702*** (14.16869)**	
Zakat Distribution		**0.898599***** (6.370308)		**0.364093*** (12.06197)**
Constant	**-100.3965*****	**77.12149*****	**-118.7740*****	**-94.66736*****
R-Squared	0.7226	0.6927	0.9177	0.8899
Adj. R-Squared	0.7072	0.6757	0.9131	0.8838
Prop. > F	46.89379(0.000)	40.58082(0.000)	200.7519(0.000)	145.4912(0.000)

Notes: ***, **, * is the significance level of coefficients starting from 1 %, 5 %, and 10 %.

Source: Authors' own

Table 8. Summary of Regression Results and Compatibility with Main Hypotheses

No.	Hypothesis	Relationship Tested	Regression Result	Decisions
1.	H1	Zakat → Economic Growth	(+) Significant	Supported.
2.	H2	Zakat → Unemployment	(-) Significant	Supported.
3.	H3	Zakat → Poverty	(-) Significant	Supported.
4.	H4	Zakat → Education	(+) Significant	Supported.
5.	H5	Zakat → Water	(+) Significant	Supported.
6.	H6	Zakat → Sanitation	(+) Significant	Supported.

Source: Authors' own

4.5. Robustness Checks

For robust checks, this study also uses two additional variables from macroeconomics, namely inflation and population. The robustness test is applied to ensure the estimation consistency in this empirical study. Further, based on empirical findings from the multiple regression analysis (Table 9), zakat collection and distribution have a significant relationship with all dependent variables across three pillars: economic growth and unemployment rate (economic pillars); poverty level and education level (social pillars); and clean water and sanitation (environment pillars). Therefore, these findings confirm the resilience or robustness of all models employed in this study, thereby strengthening the validity of the empirical analysis.

Table 9. Results of Robustness Checks

Dependent Variables	(1) Economic Pillar				(2) Social Pillar				(3) Environment Pillar			
Independent Variables	Economic Growth		Unemployment		Poverty		Education		Clean Water		Sanitation	
Zakat Collection	0.101925***		-0.550059**		-4.023661***		0.200364***		3.498709***		5.083334***	
Zakat Distribution		0.086742***		0.446226**		-3.452426***		0.170765***		2.912075***		4.182919***
Inflation	0.0013	0.0022	0.1037	0.1071	0.4000	0.3555	-0.011017	0.009228	-0.147133	-0.141795	-0.681563	-0.691665
Population	-0.292526*	-0.415151**	-1.470039	-0.635550	49.10219***	53.72115***	-1.786591***	-2.025703***	-76.04991***	-80.77556**	-32.91265**	-40.15791***
Constant	5.877902***	6.418388***	19.95137**	16.24815**	103.0695***	82.74310**	5.070820***	6.124453***	76.0055	96.90945*	-20.02413	12.0745
R-Squared	0.9632	0.9595	0.6913	0.6752	0.9279	0.9279	0.9690	0.9673	0.8370	0.8337	0.9540	0.9437
Adj. R-Squared	0.9563	0.9519	0.6335	0.6143	0.9144	0.9144	0.9632	0.9612	0.8064	0.8025	0.9454	0.9331
Prop. > F	139.5257 (0.000)	126.2948 (0.000)	11.94505 (0.000)	11.08749 (0.000)	69.68306 (0.000)	68.67605 (0.000)	166.9186 (0.000)	157.7774 (0.000)	27.38210 (0.000)	26.74064 (0.000)	110.6281 (0.000)	89.36125 (0.000)

Notes: ***, **, * is significance level of coefficients starting from 1 %, 5 %, and 10 %.

Source: Authors' own

5. Conclusion and Implications

5.1. Conclusion

Based on the empirical analysis of the regression model regarding the role of zakat towards achieving three main pillars of SDGs in Indonesia for the period 2002-2023, we can conclude that: (1) for economic pillars, the empirical findings find that zakat has a significant role in Indonesian economic growth and the unemployment level. This is empirically evidenced by the fact that zakat collection and distribution can improve national income per capita and decrease the unemployment rate in Indonesia. (2) for social pillars, zakat also plays a significant role in addressing the Indonesian poverty rate and improving education. This is empirically evidenced as zakat collection and distribution can decrease the poverty level and improve educational attainment. (3) for environmental pillars, zakat has a significant impact on improving clean water and sanitation facilities for the needy in Indonesia. This is empirically evidenced by the finding that increased zakat collection and distribution improves Indonesian access to clean water and sanitation. Moreover, our empirical results confirm that our model is robust, as evidenced by the robustness check analysis.

5.2. Policy Recommendation

We have policy recommendations based on the empirical analysis, namely:

i. BAZNAS or LAZ can optimize the potential of zakat funds to support national programs aimed at achieving all SDGs goals. This includes empowerment program for improving the quality of life, providing educational training (both hard and soft skills) for reducing unemployment levels, offering scholarships for improving the quality of education, and providing clean water and sanitation facilities, especially in rural or remote areas in Indonesia.

ii. BAZNAS or LAZ can cooperate with Indonesian government authorities, such as the Ministry of Social Affairs, the Ministry of Environment and Forestry, the Ministry of Cooperatives and SMEs, the Ministry of Religion, and the Ministry of Trade, specifically for implementing zakat programs to support the achievement of SDGs in Indonesia.

iii. BAZNAS and LAZ can socialize and promote programs for achieving the three pillars of SDGs in Indonesia. Examples include the *Mustahiq* empowerment program through the *Mustahiq* Economic Empowerment Institute (LPEM), under the economic pillar. For the social pillar, programs like *Tanggap Bencana*, *Layanan Aktif*, *Sekolah Cendekia*, and BAZNAS Scholarship can be promoted. In the environmental pillar, program such as Zakat Community Development

(ZCD), *Rumah Sehat* BAZNAS, and the *BAZNAS Indeks* for sustaining safe and clean water as well as sanitation (BI-WAS) can be highligthed as BAZNAS's program in empowering zakat funds to support the availability of clean water and sanitation services.

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Profit Commission from Reinsurance Arrangement: An Analysis from Shariah Perspective

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ABSTRACT

This research analyzes the profit commission from reinsurance arrangements payable to the Takaful fund from a Shariah perspective. To address the research questions and achieve the objectives, this study employs a qualitative research methodology, including a literature review and an examination of primary and secondary sources such as academic papers, books, and articles related to the topic. In addition to textual analysis, the researchers have conducted non-structured interviews and discussions with experts from the General Underwriting department of a takaful operator in Malaysia. As a result, the study identifies two differing opinions on this issue, each supported by various justifications. After analyzing these justifications, the researchers acknowledge the presented evidence. However, it is evident that the second opinion allowing the recognition of profit commission from reinsurance arrangements holds stronger justification based on the analysis conducted.

1. Introduction

Kopf (1929) in his article Notes on The Origin and Development of Reinsurance asserts that the first reinsurance contract on record relates to the year 1370, when an underwriter named Guilano Grillo contracted with Goffredo Benaira and Martino Saceo to reinsure a ship on part of the voyage from Genoa to the harbor of Bruges. It is noted reinsurance arrangement began since the 14th century and perceived as a need for the insurance company.

Reinsurance is a financial transaction by which risk is transferred (ceded) from an insurance company (cedant) to a reinsurance company (reinsurer) in exchange for a payment (reinsurance premium) (Wehrhahn, 2009). Reinsurance is a vital instrument within the insurance/takaful industry at a micro and macro level. Its functions are to protect capital/asset base, preserve solvency and encourage balance sheet growth, to stabilize underwriting results, to increase automatic underwriting capacity to spread risks, control aggregations, and/or accumulations, and to help spread risks across geographical boundaries thus reducing the impact of losses in any single company, market or economy (Yusof et al., 2015).

Yusof et al. (2015) also assert that the other function of reinsurance is to develop products,

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utilizing the expertise and financial support of the retakaful market. The experience of retakaful if compared to reinsurance is comparable like heaven and earth. Reinsurance has begun since the 14th century, on the other hand, retakaful has just debuted in the early eighties (80s) which supported in terms of financial and expertise from reinsurance is needed for the takaful/retakaful industry to effectively protect takaful risk (in the absence of retakaful) and nurture the takaful industry's growth.

Principally, takaful operators are not allowed to cede out takaful risk to reinsurance company. Therefore, this restriction might lead to other impacts on takaful industry which could hinder the progress and to remain competitive. In view of this, ceding out takaful risk is allowed based on *hajah* (need) for certain reasons (Bank Negara Malaysia, 2023). Among the reasons, according to Takaful Operational Framework (2019) of Bank Negara Malaysia (BNM) are (a) no takaful operator or retakaful operator is known to accept the particular risk; (b) no takaful operator or retakaful operator has the capacity or expertise to accept the particular risk; or (c) a retakaful arrangement with takaful operator or retakaful operator creates potential detrimental effects to the takaful funds.

This arrangement incurs a profit commission as payment to the ceding company based on the performance of the portfolio. It is noted that scholars have different opinions on this issue, and currently, to the best of the researchers' knowledge, no specific research has explained on profit commission from reinsurance arrangement with its clear and proper picture as well as been discussed from a Shariah perspective.

The scope of this research is to analyze the profit commission from reinsurance arrangements only (excluding profit commissions from the retakaful company) payable to the takaful fund (not the shareholder fund) from a Shariah perspective. The outcome will subsequently serve as a fundamental guidance for the players in the takaful industry in ensuring Shariah compliance at all times. It may also serve as a reference for policymakers when considering any resolution related to the profit commission derived from reinsurance arrangements.

2. Literature Review

2.1. Overview of Profit Commission

Different views of scholars usually due to the different findings in describing and interpreting the real picture of an issue. Therefore, it is imperative to understand the real modus operandi of profit commission as an Islamic legal maxim said, *'judgment is to be based on knowledge and understanding'*. Hence, this section will unravel the definition of profit commission, features and the formula of calculating the profit commission that will help in analysing the permissibility of profit commission by providing Shariah justification.

2.2. Definition and Features of Profit Commission

To understand the definition of profit commission, researchers have compiled definitions from several sources based on the researchers' best knowledge, as outlined below.

Table 1. Definitions of Profit Commission

No.	Title of the References	Definitions of Profit Commission
1.	Policy Document of Operating Cost Controls for General Insurance and Takaful Business (BNM, 2023)	"Profit commission" refers to the performance bonus payable to an insurance or takaful agent in addition to normal commission, based on the underwriting profit or distributable surplus in the agent's portfolio.

2.	Shari'ah Standard No. (41): Islamic Reinsurance (AAOIFI, 2015)	Reinsurance profit commission, which refers to a percentage amount of the realized increase of revenues (reinsurance contributions) over expenses in the reinsurance agreement (coverage), paid to the Islamic insurance company as a bonus for its excellent performance in managing the insurance operations in general and the reinsured risks in particular, and providing the best services to its customers. Such amount is paid in the form of an agreed upon percentage of the profits of the reinsurance company, as per the reinsurance agreement signed between the two companies. When the reinsurance company earns profits from the reinsurance contracts signed between the two companies, the reinsurance company pays the part of the profits agreed upon to the insurance company.
3.	IFSB-18, Guiding Principles for Retakāful (Islamic Reinsurance) (IFSB, 2018)	Profit commission is a feature of some proportional Retakāful and reinsurance contracts, and represents an amount awarded to the Takaful Undertaking (TU) based on the Retakaful Undertaking's (RTU) result under the Retakaful contract, calculated in accordance with the terms and conditions of the contract. The aim of a profit commission is to provide cedants with an incentive to manage the performance of the business that is ceded.
4.	Introduction to Reinsurance (Wehrhahn, 2009)	"Contingent Commissions (or Profit Commission) - An allowance payable to the ceding company in addition to the normal ceding commission allowance. It is a pre-determined percentage of the reinsurer's net profits after a charge for the reinsurer's overhead, derived from the subject treaty."
5.	General Business Guidance Notes (Labuan Financial Services Authority, n.d.)	Profit commission refers to any profit commission paid or payable to an intermediary.
6.	Profit Commissions – One for You, Three for Me (Weaver, 2007)	Profit commissions are a type of contingent commission whereby the commission paid from the risk carrier or underwriter (typically a reinsurer, insurer or underwriting agency) to the producer/distributor (typically an insurer, underwriting agency, broker or agency) depends on the defined "profitability" of a specific book of business over a fixed period of time. Profit commission may also be known as profit-sharing commission, bonus commission or variable commission. In contrast with straightforward flat commissions, which are based on the premium collected on the sale or renewal of a single policy.

Source: Authors' own

Researchers analyzed the definitions tabled above and strained as possible to come out with a comprehensive *(jami')* and exclusive (*mani'*) definition. In a nutshell, researchers have come out to propose the definition of profit commission as follows:

A payment at some period from retakaful operator/reinsurer to cedant derived from a pre-agreed arrangement based upon the percentage of positive result of a single cedant's risks.

It is noted that profit commission is also named as contribution to the net surplus based on the angle of interpretations. Profit commission also seems like a surplus however the key difference is that a profit commission is a contractual entitlement, rather than a discretionary distribution, and it is specific to the performance of a contract and the payment of profit commission based upon the result of a single cedant's risks (IFSB, 2016). It is normally derived from the arrangement of Treaty proportional business. While for facultative or non-proportional risk, no profit commission or surplus will usually be returned.

2.3. Formula Calculation of Profit Commission

Basically, holding the definition of certain subject in discussion might not be able to provide a comprehensive data that we require. Therefore, the formula for calculating the profit commission is crucial as it offers a comprehensive overview of the profit commission's actual operation. This formula will facilitate the Shariah justification process, ultimately making it easier to derive a ruling. In this context, a formula helps to translate abstract concepts into practical, quantifiable terms, ensuring that financial practices adhere to Shariah principles and provide clear justification for Shariah rulings.

Profit commission is the amount paid from reinsurers to cedant when the reinsurance arrangement achieves a pre-agreed profitability (positive balance) level. There is no profit commission when the result is below the pre-agreed profitability level. The calculation for profit commission is essentially income minus outgo. The details may be understood as follows:

Table 2. Formula Calculation of Profit Commission

Income	Ceded premium
	Portfolio transfer on premium
	Outstanding losses - from previous treaty year to current treaty year (if any)
Minus Outgo	Losses and loss expenses paid during the year
	Reinsurer's Management Expenses calculated at the rate specified in the Contractual Details
	Levy and Taxes
	Portfolio transfer on premium and outstanding losses from current treaty year to next treaty year (if any)
	Any deficit carried forward from previous year
Balance	Positive = Surplus
	Negative = Deficit
Profit Commission Amount = Positive Balance multiply by Profit Commission %	

A simple calculation as an example:

- If Income is RM10,000 and Outgo is RM7,000, then:

Balance = RM10,000 − RM7,000 = RM3,000

- If the Profit Commission is 10%, then:

Profit Commission Amount = RM3,000 × 0.10 = RM300
Hence, the Profit Commission Amount in this case would be RM300.

By analyzing the formula, it is noted that there are two main components of profit commission which are income and outgo. Income consists of ceded premium, portfolio transfers on premium and outstanding losses from the previous treaty year carried over to the current treaty year. It is noted that this income primarily comes from the contribution of the risk fund of the takaful operator. Then it is ceded out to reinsurer as a premium by the takaful operator getting into the reinsurance arrangement. The outgo, which includes claims, taxes, and expenses of the reinsurance arrangement, are subtracted and multiplied by the agreed percentage to determine the actual amount of profit commission. Additionally, it is noted that there is no other income, such as profit or interest from any investments in this formula as the profit commission is derived solely from the ceded premium without any external funds being included. This was also confirmed by interviewee during interview session on the profit commission formula.

In term of accounting treatment, it is noted from the interview that for reinsurer/retakaful's accounting treatment: Profit commissions are typically recognized as expenses, impacting the income statement of the reinsurer/retakaful operator. On the other hand, for takaful operator: For TOs profit commission may appear as income, influencing the financial position and performance ratios of both parties.

3. Research Methodology

In addressing the problem statement and meeting the objective of this research, this study employs a qualitative research methodology by doing interview, literature review by studying primary and secondary references from academic papers, books and article related to the topic of this research. The key persons interviewed are experts in the reinsurance industry from the General Underwriting department of a Takaful operator in Malaysia (interviewee) to confirm and understand the real modus operandi of profit commission. The interviewee was selected based on their vast experience in reinsurance, general underwriting and broking which are closely related to the subject matter.

The literature review was carried out to understand and to analyze opinions of the scholars in getting their preferred views of the profit commission arrangement with reinsurance from a Shariah perspective. Therefore, employing qualitative research methodology through interviews, and literature review serves as a profound assistance to researchers in comprehensively exploring, analyzing, and interpreting the complexities of the research topic, providing valuable insights that contribute to a quality research paper.

4. Results and Discussion

4.1. Shariah Analysis of Profit Commission from Reinsurance Arrangement

After understanding the clear picture and reality of profit commission from reinsurance arrangement, researchers will divide this section into two subsection. First subsection will present Shariah scholars' views pertaining to this topic extracted from research paper, resolution and standard with some remarks by researchers. The second subsection will present the Shariah analysis of the Shariah scholars' views of the profit commission from the reinsurance arrangement.

4.2. Shariah Views of Profit Commission from Reinsurance Arrangement

Throughout the research process, researchers have explored the articles and journals from websites as reference by searching some keywords for instance: 'profit commission', 'retakaful/reinsurance commission', 'surplus', 'treaty', 'reinsurance' and 'retakaful'. During the literature review, researchers found most of the references are not explicitly highlighting the profit commission from reinsurance arrangement issue. This is probably due to the difference in the profit commission's operation and the terminology used in the industry.

Thus far, Qureshi (2011) in his article 'Analyzing the Shariah Compliant Issues Currently Faced by Islamic Insurance' explains in the conclusion which one of the issues faced by takaful operator is reinsurance arrangement with reinsurer due to the unavailability of retakaful operator. Apart of the non-Shariah compliant of the reinsurance arrangement itself, the contribution from the takaful operator which is ceded to the reinsurer as a premium payment will then be invested in Shariah non-compliant companies. Then he asserts that when takaful company receives the payment as claims, reinsurance commission or profit commission, it is already tainted by the investment by conventional insurers in prohibited areas. Hence, researchers conclude that the writer highlighted that the profit commission may be prohibited due to the payment received being from a tainted income.

Furthermore, Islamic Financial Services Board (IFSB) (2018) in the Guiding Principles for Retakaful (Islamic Reinsurance) standard 18 emphasized the profit commission received from a conventional reinsurer may be prohibited due to some bases of calculation of profit commission may involve elements of riba, and takaful operator need to be alert to the risk of inadvertent Shariah non-compliance.

Meanwhile, researchers observed that the ruling of profit commission from reinsurance arrangement is not clearly stipulated in the Shariah Standard issued by the Accounting and Auditing Organization for Islamic Financial (AAOIFI) even the term reinsurance profit commission is defined in the Definition of Appendix C in Shariah Standard No. (41): Islamic Reinsurance. However, researchers noted in paragraph 7/3 of the same standard No. (41) which stated the impermissible of surplus distribution from traditional reinsurance companies (conventional) to takaful companies as follow:

> *"7/3 Islamic insurance companies should not accept any redistributions of insurance surplus forwarded by traditional reinsurance companies. Nonetheless, Islamic insurance companies can request premium discounts from traditional reinsurance companies."*

Researchers are of the view that if the surplus is also referring to profit commission, it will take the same view and treatment of surplus as the above paragraph. The researchers are wondering why the terminology of 'reinsurance profit commission' is stated clearly in definition but the rule is not clearly explained in any paragraph instead of just using the word 'surplus'. What if the paragraph on the rule of surplus is not referring to the profit commission that probably has a different rule, as in practice, the terminology of profit commission differs from a distribution of surplus, in that, it is a contractual entitlement, rather than a discretionary distribution, and is specific to the performance of a contract based upon the result of a single cedant's risks as stated in Guiding Principles for Retakāful (Islamic Reinsurance) issued by IFSB.

In addition, during industry discussion, it came to researchers' attention that the Shariah Committee of one prominent takaful industry has decided that the profit commission from reinsurance arrangement is impermissible.

Besides to the above, BNM, in the Hajah and Darurah Policy Document (HDPD) outlines on how Islamic financial institutions (IFIs) should handle hardship situations. After reading the HDPD in its entirety, reinsurance profit commission can be perceived as something not permissible to be received and recognized by the takaful operators. In relation to paragraph 8.4 of the HDPD, it states that IFIs are prohibited from applying *hajah* (need) and *darurah* (dire necessity) concepts to address hardships arising solely from the risk to its profitability, while specifically highlighting an example in the footnote related to reinsurance profit commission whereby it states that losing profit commissions from ceding out arrangements (where risks are transferred to reinsurers) does not qualify for applying this concept.

To be precise, BNM in explaining paragraph 12.10 in the footnote, states that the IFIs are expected to identify potential profit or loss scenarios that may arise when *hajah* is applied and must establish a plan to manage any financial impacts including the expectation on IFIs to purify that profit commission by donating it to charity. Consequently, it can be understood that reinsurance profit commission is deemed impermissible from BNM's perspective. Nonetheless, there is no specific SAC ruling issued to address this issue in particular.

Based on the analysis conducted on the relevant paragraph of the HDPD, the researchers appreciate that the basis of the prohibition on recognizing the profit commission (arises from reinsurance arrangement under the concepts of *hajah* and *darurah*), is rooting back to the relevant principles related to the application of *hajah* and *darurah*, particularly on the principle of 'need is to be assessed and treated proportionately' (Murad, 2023). In this context, it is believed that the profit commission is viewed as exceeding the permissible limits i.e., only to obtain adequate retakaful/reinsurance support, necessitating its purification.

On the other hand, one of the takaful operators allows the recognition of profit commissions received from insurance/reinsurance companies as income to Tabarru' Fund. It is noted that the main Shariah justification is based on the Islamic legal maxim of 'harm must be eliminated'. It is applied where the exclusion of profit commission will dilute the General Takaful Fund and Family Takaful Fund which may be harmful to participants. At the same time, it is argued that the business aspects could not be neglected as the stability and *maslahah* of the participants, and shareholders fund need also to be well addressed.

As far as this research is concerned, all the papers, resolutions, and standards found that explicitly highlight the issue of profit commission from reinsurance companies are limited. The rest of the papers primarily discuss reinsurance commissions or ceding commissions.

4.3. Analysis of Shariah Scholars' Views

This section will analyze previous Shariah views and will shed further light on the arguments raised. The researchers identify two opinions regarding profit commissions from reinsurance arrangement. The first opinion prohibits profit commissions for three reasons: first, the possibility of receiving tainted income; second, some bases for calculating profit commissions may involve elements of *riba*; and third, it is considered prohibited based on the proportionality requirements under *hajah* and *darurah* application. On the other hand, the second opinion allows the receipt of profit commissions in order to protect the takaful and serve the *maslahah* of participants' and shareholders' funds.

Based on the reasons stated, the researchers view that the prohibition of this issue from two different perspectives: micro and macro level. The former consists of the first two reasons for prohibition which are tainted income and riba in some bases of calculation, which focus on that specific arrangement of profit commissions. The latter includes the prohibition based on the concepts of *hajah* and *darurah*, considering the overall arrangement of ceding out to a reinsurance company.

Researchers hold the view and principle that 'basic principle in contracts and transactions (*mu'amalat*) is permissible and is not forbidden except what the Shariah prohibits' derived from the Islamic legal maxim of 'the original rule to something is permissible except what the Shariah prohibits' (Che Abdullah, 2011). Hence, this maxim should be applied at all times when related to any transaction. However, it is believed, this maxim is not universally applied across all cases or contexts. It is imperative to pay attention to the second part of the maxim which is 'it is not forbidden except what Shariah prohibits'. Ibn Taymiyyah in Majmu' al-Fatāwā emphasizes that before implementing this maxim, sufficient effort has to be made to ensure that there are no prohibited elements in the transaction (Al Sulayman, 2018). Therefore, the arguments for the prohibition of this issue should be challenged to ensure their validity, in order to avoid permitting what is haram and prohibiting what is halal.

4.3.1. Prohibition of Profit Commission from Reinsurance Arrangement Due To the Tainted Income

The first argument categorized under the micro perspective identifies that the prohibition of profit commission from reinsurance companies is due to the fact that the amount ceded to the reinsurance company may be invested in both Shariah-compliant and non-compliant companies. Therefore, when the takaful operator receives the payment as profit commission, it may already be tainted by the investments made by conventional reinsurer in prohibited areas.

Tainted income is basically an income derived from Shariah non-compliant sources. It is also known as non halal income or *mal haram* (prohibited income). According to Dusuki et al. (2012) prohibited income is categorized into two major types. The first is prohibited in its essence (*li-dhatihi*) and second is prohibited due to external reasons (*li-ghayrihi*). Examples of items prohibited in its essence are pork, wine and other impure items. On the other hand, prohibited due to external reasons are divided into two which are income acquired without the consent of the legal owner such as income realized through theft, usurpation and deception. Secondly, income that has the owner's consent but is not approved by Shariah includes transactions involving *riba* (usury), *gharar* (uncertainty), or *maisir* (gambling). In this context, income derived from non-Shariah-compliant investments may fall under this category, as the business and the contract used contain Shariah non-compliant elements.

Following this discussion, it is understood that money is not categorized under the prohibited item in its essence. Hence, payments received from a conventional reinsurer cannot be simply considered as non-Shariah compliant. Researchers propose to differentiate the two different arrangements between conventional reinsurer–investee and conventional reinsurer–takaful operator. Looking into the reinsurer-investee arrangement, it is noted that the contracts and nature of the investments made may not be Shariah-compliant, which could result in tainted income from the dividends or interest paid to the reinsurer. In this arrangement, it is undisputable that tainted income occurs.

Looking into the second arrangement between the reinsurer and the takaful operator, it may be deemed a reinsurance arrangement based on the concepts of *hajah* and *darurah*, and any commission involved including the profit commission should be considered part of a single arrangement. This will be further discussed in later sections addressing the third argument, i.e., prohibition arising from proportionality requirement in *hajah* and *darurah* application. Nevertheless, tainted income transferred to the takaful operator as a claim or commission may be viewed as a different arrangement (reinsurance arrangement allowable under *hajah* situation), as it eliminates the prohibited element and lead to a different ruling. This issue may be viewed in the context of dealing with individuals or entities that derive income from prohibited sources.

Muhammad (2010) in discussing this issue gave a preference to the opinion of allowing dealing with individuals or entities that derive income from prohibited sources. The basis of the ruling is based on:

i. Al-Quran as Allah SWT said in chapter 35: *Fatir*, verse 18:

وَلَا تَزِرُ وَازِرَةٌ وِزْرَ أُخْرَىٰ

Meaning: *And no bearer will bear the burden of any other person.*

He comments on the verse, noting that it demonstrates the flow of transaction that if any, the first prohibited transaction cannot be linked to the second allowed transaction in instances mudharabah, salam, and similar arrangements. These are not directly related to the first haram transaction, such as *riba* and alcohol. Therefore, the offense resulting from the first haram transaction (i.e., usury, alcohol, and so on) cannot be associated with the second halal transaction, which involves halal investments such as mudharabah and musharakah.

ii. Al-Sunnah as narrated by Umm al-Mu'minin A'ishah:

حَدَّثَنَا مُحَمَّدُ بْنُ بَشَّارٍ، حَدَّثَنَا غُنْدَرٌ، حَدَّثَنَا شُعْبَةُ، عَنْ قَتَادَةَ، عَنْ أَنَسِ بْنِ مَالِكٍ ـ رضى الله عنه ـ قَالَ أُتِيَ النَّبِيُّ صلى الله عليه وسلم بِلَحْمٍ فَقِيلَ تُصُدِّقَ عَلَى بَرِيرَةَ قَالَ " هُوَ لَهَا صَدَقَةٌ، وَلَنَا هَدِيَّةٌ ".

Narrated Anas bin Malik: Some meat was brought to the Prophet (ﷺ) and it was said that the meat had been given in charity to Barirah. He said, "It was Sadaqa for Barirah but a gift for us. (Sahih al-Bukhari 2577)

He explains this hadith shows that a change in ownership also leads to a change in law and ruling, even if the *'ain* (meat) is the same. In other words, the alms meat given to Barirah should be forbidden for the Prophet Muhammad (SAW) to eat, as he was prohibited from receiving and consuming alms. However, the fact is that the meat has changed ownership from Barirah to the Prophet Muhammad (SAW), and this transfer of ownership represents a second contract (Barirah's gift to the family of the Prophet Muhammad [SAW]) that is separate from the first contract (alms given to Barirah). Therefore, the Prophet Muhammad (SAW) refuted the suspicion that the meat was forbidden because it was charity meat. On the other hand, when the meat is transferred from Barirah to the Prophet's family, it is considered a gift.

iii. Islamic Legal Maxim:

تبدل الملك موجب لتبدل العين حكما مع أن العين واحد

Meaning: *The change of ownership requires a change in the rules (hukm) of the property, even though the property itself remains the same.*

He clarifies this method means that even if the property is illegal to the original owner because the source is illegal, but by changing the ownership, the *'ain* (property) makes the rule (*hukm*) changed even if the property is the same. After all, there is no denying that sources of employment in gambling companies, alcohol companies, usury companies and the like are illegal from the point of view of Shariah. However, when illegal money has changed ownership, such as handed over to a seller for buying goods or handed over to an employee to be worked on or invested in (mudharabah), then the rule of these contracts is halal because the owner has changed hand. In this case, the above maxim means that even though *'ain* (i.e. money) is the same money, it still changes to halal due to the change of hands.

iv. Qias

He also elucidates the permission to deal with parties whose income comes from illegal sources is alluded to the need to deal with non-Muslims inside and outside Muslim countries. If dealing with people whose sources are haram, then a Muslim is not allowed to do business with non-Muslims who trade alcohol or pork inside or outside Islamic countries because their source of income is haram. As far as this study is concerned, there is no prohibition mentioned in the book of *fiqh* that is imposed on a Muslim interacting with a non-Muslim even though the source is clearly illegal.

Those are among the basis of justifications in allowing dealing with individuals or entities that derive income from prohibited sources. On top of that, as we can see from the method of calculation, there is no such thing as profit or interest from investment, as the income is purely from the ceded contributions/premiums. In conclusion, researchers hold the view that the argument for prohibiting profit commissions from reinsurance companies due to tainted income is not a strong justification for deeming profit commissions as prohibited. This matter requires a different ruling (*hukm*), based on the justifications outlined above.

4.3.2. *Prohibition of Profit Commission from Reinsurance Arrangement Due to Certain Bases for Calculating Profit Commissions Involving Elements of Riba.*

The second argument identifies that the prohibition of profit commission from reinsurance companies is due to the fact that some bases for calculating profit commissions may involve elements of riba.

Riba literally means excess and technically defined as an increase or excess which accrues to the owner in an exchange or sale of a commodity or, by virtue of a loan arrangement without giving in return equivalent counter value to the other party (Engku Ali, 2012). From the definition, it is noted *riba* consists of two primary types which are the exchange or sale of a commodity (*ribawi* item) and loan arrangement without giving in return equivalent counter value to the other party. The former is known as *riba al-buyu'* (sale-based) and the latter is known as *riba al-duyun* (debt-based).

Simply put, *riba al-duyun* is divided into two types. The first type is *riba al-qard*, which occurs in a loan agreement when no equivalent counter value is given in return to the other party. The imposition of excess amount occurs in the *aqad*. For instance, Ahmad borrows RM1,000 from Fatima to cover urgent medical expenses. They agreed that Ahmad would repay RM1,000 with an additional condition imposed of an excess value of RM500 within two months. In this case, the agreed upon of an excess amount of RM500 is deemed *riba*. Hence, the additional condition of imposition of RM500 must be eliminated. The second type is *riba al-jahiliyyah*. The difference from *riba al-qard* is that the imposition of an excess amount occurs at the end of the tenure. The borrower is then asked either to repay or to defer the payment, with an excess amount imposed.

Looking back at the other type of *riba*, which is *riba al-buyu'*, it is related only to *ribawi* items. There are six basic *ribawi* items stipulated in the *hadith*: gold, silver, dates, wheat, salt, and barley. These have been extended to other commodities that share the same characteristics (*illah*). In this context, money is also considered one of the *ribawi* items, as jurists hold the view that it shares the same *'illah* of *thamaniyyah* (monetary value). *Riba al-buyu'* is divided into two types which are *riba al-fadhl* and *riba al-nasiah*. *Riba al-fadl* refers to the unequal exchange of like *ribawi* items. For instance, this occurs when gold is exchanged for gold but with different measurements. Conversely, *riba al-nasiah* occurs when two *ribawi* items are exchanged, with one being delivered immediately and the other deferred.

An example of this is the exchange of gold for silver with a delay in payment.

After understanding the overview of *riba* and its branches, we can assess whether there is an element of *riba* in the calculation of profit commission. It is important to note that the original reinsurance arrangement is impermissible except in cases of *hajah* (need). The concept of reinsurance is similar to insurance, where the financial burden of a misfortune is transferred from the insured (the person requesting protection) to the insurer (the company willing to accept the risk or uncertainty). *Riba al-fadhl* and *riba al-nasiah* are among the Shariah issues that arise when the insured pays an amount of RM in premiums, which is exchanged for a higher amount of RM in deferred payment upon a claim (Shabir, 2007). In contrast, the takaful/retakaful arrangement adopts the concept of protecting and supporting among participants.

Since the argument of involvement of *riba* in some bases of calculation of profit commission presented is very brief, the researchers themselves must unravel the justification for the argument raised. There are different scenarios that have been considered. Perhaps the argument arises from the original arrangement of reinsurance itself, which contains elements of *riba*, as it is viewed as a claim that is exchanged for a premium in deferred payment, without an equivalent change. However, it is noted that the IFSB (2016) in the Guiding Principles for Retakāful (Islamic Reinsurance) standard 18, paragraph 28 (vii), e, stated:

> *"In circumstances where TUs cede business to a conventional reinsurer, an issue may arise as to whether it is acceptable for the TUs to accept commission from a conventional reinsurer which is non-Sharī`ah compliant. In the case of ceding commission, this is in substance merely a means of arriving at the negotiated price for the cover obtained. However, some bases of calculation of profit commission may involve elements of Riba, and TUs need to be alert to the risk of inadvertent Sharī`ah non-compliance".*

It is understood from the paragraph that there may be some issues for takaful operators when ceding to reinsurers. One of the issues is accepting commissions from reinsurers. Focusing on the profit commission, it is noted that some bases for calculating profit commissions may involve elements of *riba* while others may not. Therefore, it is acknowledged that IFSB is not generalizing that the profit commission involves *riba* because of the reinsurance arrangement itself which occurs in the exchange of premium and claim. However, some of the calculations itself may contain the element of *riba*.

Hence, when examining the formula for calculating the profit commission, which consists of income and outgo as explained in the previous chapter, the researchers propose to focus only on income, as it is the source of which will be given to the takaful operator for any profit commission or surplus after deducting the claim and expenses. It is noted that the profit commission given consists solely of the surplus from contributions or premiums ceded, without involving any elements of interest, profit, or dividends paid from investments or loans. In conclusion, the researchers are of the view that the formula for calculating profit commission stated in the previous section does not contain any elements of *riba*. The researchers propose IFSB to specify further details on the possibility of having elements of *riba* in the base calculation of profit commission to avoid such issues.

4.3.3. Prohibition of Profit Commission from Reinsurance Arrangement Due to the Proportionality Requirement under Hajah and Darurah Application

The last argument of prohibition of profit commission from reinsurance companies that was categorized under the macro perspective is due to the concepts of *hajah* and *darurah*. Basically, this argument is also not clearly explained and justified however it is understood that the prohibition is closely related to the principle of 'need is to be assessed and treated proportionately' which will be elaborated further.

Based on Hajah and Darurah Policy Document issued by BNM which focuses on the context of Islamic financial institutions (IFI), it is well established that *hajah* and *darurah* concepts are applied only in a situation of hardship or difficulties in executing financial transactions or arrangements based on Shariah principles. The application of *hajah* and *darurah* arises during unavoidable circumstances or distress situations encountered by IFI, whereby leniency or concession is given to prevent harm (*mafsadah*) and ultimately attain benefit (*maslahah*) of effective financial intermediation.

The application of *hajah* and *darurah* concept to addressing hardship is subject to the preconditions to be fulfilled which are the certainty (*al-yaqin*) or high possibility (*ghalib al-zann*) on the materialisation or occurrence of hardship, deviation from Shariah principle or Shariah ruling, absence or impracticality of Shariah compliant alternatives and the impact of the application of *hajah* and *darurah* does not cause greater or equal harm.

In the context of insurance and reinsurance, it is basically prohibited due to the existence of *riba*, *gharar* and *maisir*. Takaful operators that need to cede out to reinsurance may be applying the *hajah* and *darurah* concept while fulfilling the said preconditions. Those are several reasons that may lead to hardship which are:

i. no takaful operator or retakaful operator is known to accept the particular risk;
ii. no takaful operator or retakaful operator has the capacity or expertise to accept the particular risk; or
iii. a retakaful arrangement with takaful operator or retakaful operator creates potential detrimental effects to the takaful funds.

BNM has divided *hajah* and *darurah* into three categories: Hajah Type 1, Hajah Type 2, and Darurah, each accompanied by specific parameters in addition to preconditions to be fulfilled as stated above:

i. Hajah Type 1
   a. The hardship arises due to practices or situations which are difficult to avoid (*`umum al-balwa*) or are widely accepted as a customary commercial practice (*`urf tijari*);
   b. the SAC issues a ruling on the permissibility of the application of Hajah Type 1 without stipulating specific conditions or limitations; and
   c. the Shariah ruling remains applicable until it is overridden by a later Shariah ruling.
ii. Hajah Type 2
   a) the hardship does not arise from practices or situations which are widely accepted as customary commercial practice (*`urf tijari*);
   b) the hardship is experienced by a specific person(s) and the severity of the hardship does not reach the stage of *darurah*;
   c) the SAC issues a ruling on the permissibility of the application of Hajah Type 2 with specific conditions or limitations; and
   d) the Shariah ruling needs to be applied temporarily and proportionately depending on the complexity of the hardship by considering the appropriate duration and quantum.
iii. Darurah
   a) the hardship does not arise from practices or situations which are widely accepted as customary commercial practice (*`urf tijari*);
   b) the hardship experienced by a specific person(s) may or may not cause systemic impact, but trigger recovery or resolution actions 19;

c) the SAC issues a ruling on the permissibility of the Darurah application with specific conditions or limitations in light of the extreme stress situation; and
d) the Shariah ruling needs to be applied temporarily and proportionately based on the complexity of the hardship by considering the appropriate duration and quantum.

In the context of the research paper, Hajah Type 2 will be applicable as the profit commission is derived from a reinsurance arrangement. Ceding out to reinsurer falls under Hajah Type 2 because it is not widely accepted as customary commercial practice (*`urf tijari)* and the hardship is experienced only by takaful operator/ participants and the severity of the hardship does not reach the stage of *darurah*. Hence, all the parameters must be met including the last parameter which is the Shariah ruling needs to be applied temporarily and proportionately depending on the complexity of the hardship by considering the appropriate duration and quantum. The parameter is derived from an Islamic legal maxim of 'dire necessity/need is to be assessed and treated proportionately. Based on this parameter, it is assumed that profit commission from reinsurance arrangement is prohibited as it is extended to and beyond the need and not proportionate.

Zuhayli (2017) explaining conventional insurance, concluded that it is basically prohibited. However, it may be allowed due to the *hajah* with the condition that it must be general (*'ammah*) or specific (*khassah*) to a certain category and must be essential (*mut'ayyinah*). He also explains that *hajah 'ammah* is the *hajah* for all people and *hajah khassah* is for specific to a group of people such as the people of a country or a specific profession. Meanwhile, the condition that *hajah* must be *mut'ayyinah* means that all legitimate (*mashru'ah*) ways to achieve the goal are non-existent, except for the contract in which there is uncertainty (*gharar*). Zuhayli (2017) means, in that context of insurance, that *hajah* may be applied even if there is prohibited element such as *gharar* with the condition that there is no halal alternative such as takaful. He also added that at the current time a need to insurance is not *hajah mut'ayyinah* since there is takaful product offered in the current market currently. Then he resumes if we assume that the need is *hajah mut'ayyinah*, it is permissible to insure only to the extent that eliminates the need, in accordance with the Islamic legal maxim of 'need is to be assessed and treated proportionately. Scholars explain this maxim by asserting that it means one must be satisfied with what is needed, and what is related to luxury and enjoyment is forbidden (Bankiran, 2022).

In discussing the application of Islamic legal maxim that states "need is to be assessed and treated proportionately" in profit commission from reinsurance arrangement, it is agreed that a takaful operator should minimize the contribution/premium ceded to reinsurers based solely on need, rather than seeking profit, interest, or enjoyment beyond that necessity. Therefore, researchers have a different perspective at certain points and argue that receiving a profit commission is still consistent with that maxim, as it is not extended beyond a need and is not intended for luxury or enjoyment. In fact, while looking at the reinsurance arrangement with profit commission as a whole in macro level, it is perceived that the contribution/premium ceded out to the reinsurer is in actual, lower than a case of takaful operators not receiving or taking profit commission. This can be realised when the takaful operator receiving back the contribution/premium ceded in the form of profit commission, as indicated by the formula for profit commission, which consists of the contribution/premium ceded minus outgo as explained in the previous chapter.

Additionally, although the term "profit commission" implies a dividend, interest, charge or fee for a task, in reality, it functions more like an adjustment or deduction of the premium given from the surplus (income minus outgo) over a certain period which does not involve any interest or dividend from Shariah non-compliant investment. This may be understood as in the simple illustration below:

Profit Commission	20%
Income:	
Ceded Contribution/Premium (From Takaful Fund)	RM 100,000
Outgo:	
Management Expenses (For reinsurer)	10%
Outstanding and Paid Claims	RM 70,000

Profit Commission Formula: (Income – Outgo) x 20%

Scenarios:

i. Receiving Profit Commission
   a. (RM 100,000 – RM 10,000 – RM 70 000) x 20%
      = RM 4000 (Returned Ceded Contribution/Premium to Takaful Fund)
   b. Adjusted Ceded Contribution/Premium (RM 100,000 – RM 4000)
      = RM 96,000

ii. Not Receiving Profit Commission
   a. (RM 100,000 – RM 10,000 – RM 70 000) x 20%
      = RM 4000 (Returned Ceded Contribution/Premium to Takaful Fund)
   b. No Adjusted Ceded Contribution/Premium. Hence, the ceded contribution will remain at RM 100,000

Based on the above illustration, it is evident that the actual amount paid and ceded to the reinsurance company is lesser, i.e., RM 96,000, if profit commission is recognized by the cedant takaful operator as compared to the scenario of no profit commission being recognized, i.e., RM100,000. Hence, the recognition of profit commission is in line with the proportionality requirements under the hajah application in terms of the quantum of the contribution/premium amount ceded to the reinsurer.

In conclusion, researchers hold different views on the interpretation of the aforementioned maxim, contending that the profit commission received from reinsurance companies aligns with its proportionality principles i.e., the realised profit commission will reduce the amount of ceded contribution/premium to reinsurance companies.

4.3.4. Permissible of Profit Commission from Reinsurance Arrangement to Eliminate Harm of Takaful Fund

The opponent views the profit commission from reinsurance arrangement is permissible with the argument to eliminate harm of takaful fund based on the Islamic legal maxim of 'harm must be eliminated'.

According to Muhsin et al. (2019), asserts not all harms warrant consideration, prompting jurists to establish specific criteria for determining whether an action or inaction constitutes significant harm. The major conditions are as follows:

i. The harm should be real.
ii. The harm should be excessive (*fāḥish*).
iii. The infliction should occur as a result of infringement or arbitrariness or negligence.
iv. Infliction of the harm is on a legitimate benefit owned by the right owner.

In determining if there is any harm to the takaful fund, the above conditions must be met. Researchers believe that data from actuaries is necessary to assess whether there is any harm to the takaful fund if the takaful operator decides not to receive a profit commission.

However, it is believed that receiving profit commission leads to the positive impact of risk funds to cover expenses, claims and benefits for participants. It also benefits the takaful industry by allowing the amount of profit commission paid to the Takaful fund to be developed further, instead of being given to or retained in reinsurer's account that is likely to be invested in non-Shariah-compliant ventures.

5. Conclusion

In a nutshell, researchers are of the view that profit commission from reinsurance arrangement is **permissible** based on the justifications as summarized below:

i. Basic principle in contracts and transactions (*mu'amalat*) is permissible and is not forbidden except what the Shariah prohibits.
ii. Reinsurance arrangement and investment conducted by the reinsurer are totally different and separate arrangements with different contracting parties. The argument on the prohibition of profit commission based on tainted income is not valid as it refers to the profit from a Shariah non-compliant investment, a separate transaction and arrangement, i.e., between the reinsurer and investee, whereby the cedant takaful operator is not a party to such investment. (Addressing tainted income issue).
iii. No Shariah issue in dealing with conventional company. (Addressing tainted income issue).
iv. It is not definite that *riba* (Shariah non-compliant element) exists in all bases of profit commission formula. (Addressing *riba* element in the formula of profit commission).
v. Consistency of the profit commission with proportionality requirement under *hajah* and *darurah* application.
vi. Positive impact on the risk fund i.e., takaful fund.

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دور القوانين والتشريعات الناظمة للتمويل الإسلامي على محدودية تمويل السلم في القطاع الزراعي الفلسطيني

The Role of Laws and Regulations Governing Islamic Finance on the Limitations of Salam Financing in the Palestinian Agricultural Sector

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ملخص البحث

تهدف هذه الدراسة إلى تحليل الأثر الذي تُحدثه البيئة القانونية والتنظيمية على تطبيق عقد السلم كإحدى أدوات التمويل الإسلامي في دعم القطاع الزراعي الفلسطيني. يُعد عقد السلم من الصيغ التمويلية ذات الطابع الشرعي الخاص، التي تتيح تمويلاً مقدماً مقابل تسليم منتجات موصوفة في الذمة في وقت لاحق، وهو ما يجعله ملائمًا لتمويل الإنتاج الزراعي الذي يتسم بعدم انتظام التدفقات النقدية وارتفاع مستوى المخاطر. ورغم مرونة هذه الصيغة وتوافقها مع احتياجات المزارعين، إلا أن تطبيقها لا يزال محدودًا جدًا في المؤسسات المالية الإسلامية العاملة في فلسطين. وترجع هذه المحدودية إلى جملة من المعوقات، أبرزها: غياب التشريعات الخاصة بعقود التمويل الإسلامي، ضعف التعليمات التنفيذية من الجهات الرقابية، ضعف الرقابة الشرعية المؤسسية، وتدني الكفاءة الفنية داخل المؤسسات المالية، إلى جانب غياب أدوات التحوط الإسلامي كتأمين المحاصيل أو السلم الموازي. اعتمدت الدراسة على منهج نوعي تحليلي من خلال مقابلات شبه موجهة مع نخبة من الخبراء والمسؤولين في البنوك الإسلامية وهيئات الرقابة، إلى جانب تحليل وثائق قانونية وتنظيمية ذات صلة. وقد خلصت إلى مجموعة من النتائج المهمة التي تؤكد وجود فجوة تنظيمية حقيقية تعيق تفعيل صيغة السلم. وأوصت الدراسة بضرورة تطوير تشريعات خاصة بالسلم، وإصدار تعليمات تشغيلية واضحة من الجهات الرقابية، وتفعيل الرقابة الشرعية الداخلية، وبناء قدرات العاملين، إلى جانب إطلاق مشاريع تجريبية في المناطق الزراعية لتعزيز الشمول المالي الزراعي وتقليص الفجوة التمويلية.

ABSTRACT

This study aims to analyses the impact of the legal and regulatory environment on the application of the Salam contract as a key Islamic finance tool in supporting the agricultural sector in Palestine. The Salam contract, which allows for advance payment in return for future delivery of specified goods, is especially

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suitable for agricultural financing due to the irregular cash flows and high risks associated with farming cycles. Despite its flexibility and suitability to farmers' needs, the implementation of the Salam contract remains extremely limited within Palestinian Islamic financial institutions. This limitation stems from several critical challenges, including the absence of dedicated legislation for Islamic contracts, the lack of detailed operational instructions from regulatory authorities, weak institutional Shariah governance, and low technical capacity within financial institutions. Moreover, there is a lack of Islamic hedging mechanisms such as crop takaful or parallel Salam structures. The study adopts a qualitative analytical approach through semi-structured interviews with experts and officials from Islamic banks and regulatory bodies, supported by the analysis of relevant legal and regulatory documents. The findings reveal a significant regulatory gap that hinders the effective application of Salam financing. The study recommends the development of specific laws for Salam, issuing clear operational guidelines from regulators, strengthening internal Shariah oversight, capacity building for financial staff, and launching pilot projects in agricultural areas to promote inclusive agricultural finance and reduce the funding gap.

1. مقدمة

يشكّل عقد السلم إحدى أبرز صيغ التمويل الإسلامي التي تتميز بالمرونة والمواءمة لطبيعة النشاطات الإنتاجية ذات الدورات الزمنية الطويلة، وعلى رأسها القطاع الزراعي. ويقوم هذا العقد على تقديم رأس المال للمُزارع مقدمًا مقابل تسليم كمية ونوعية محددة من المنتجات في وقت لاحق، ما يجعله أداة مثالية لتمويل مستلزمات الإنتاج، وخاصة في مراحله الأولى التي تفتقر إلى السيولة النقدية.

في السياق الفلسطيني، يُعاني القطاع الزراعي من فجوة تمويلية هيكلية تتجلى في ضعف القدرة على الوصول إلى مصادر تمويل مستدامة، وهو ما تفاقم بسبب استمرار الاحتلال الإسرائيلي، وتآكل الأراضي الزراعية، وتراجع الاستثمار، وضعف أنظمة الحماية والتأمين. ووفق بيانات صادرة عن الجهاز المركزي للإحصاء الفلسطيني، فإن مساهمة القطاع الزراعي في الناتج المحلي لا تعكس حجم إمكاناته الكامنة، وذلك بسبب غياب السياسات التمويلية الفاعلة، وتقييد المنتجات المالية الإسلامية بالممارسات التقليدية.

ورغم أن عقد السلم يُعدّ من العقود الشرعية ذات القبول العالي فقهيًا، فإن تطبيقه في فلسطين لا يزال محدودًا للغاية، سواء من حيث العدد أو من حيث التوزيع الجغرافي أو القطاعات المستهدفة. ويعود هذا القصور إلى مجموعة من الأسباب المرتبطة بالبنية التشريعية والتنظيمية، بالإضافة إلى عوامل مؤسسية أخرى. فالمؤسسات المالية الإسلامية العاملة في فلسطين تفضّل التعامل بصيغ مرابحة أو إجارة، نظرًا لسهولة تطبيقها وقلة مخاطرها النسبية،

مقارنة بالسلم الذي يتطلب إدارة دقيقة للمخاطر ومتابعة تنفيذية حثيثة.

وقد أظهرت تجارب بعض الدول الإسلامية، مثل السودان وماليزيا، قدرة عقد السلم على تمويل الإنتاج الزراعي وتحقيق الأمان الغذائي، لا سيما حينما يترافق مع دعم تشريعي مؤسسي واضح وتوجيهات رقابية تُراعي الخصوصية الفقهية للعقود الشرعية. ففي السودان، تم إدراج السلم ضمن سياسات البنك المركزي الزراعية، ما أدى إلى توسيع نطاق تطبيقه، بينما في ماليزيا، ورغم حداثة التجربة، فقد ظهرت مبادرات تنظيمية لتكييف عقد السلم مع الإطار المصرفي المعاصر.

في المقابل، يفتقر السياق الفلسطيني إلى إطار قانوني صريح ينظم عقود التمويل الإسلامي بصفة عامة، وعقد السلم بصفة خاصة، كما أن الجهات الرقابية، وعلى رأسها سلطة النقد الفلسطينية، لم تصدر تعليمات تنفيذية واضحة بشأن تفعيل السلم، ما ساهم في تعميق الفجوة بين النظرية الشرعية والتطبيق العملي. إلى جانب ذلك، فإن تعدد المرجعيات الشرعية، وغياب وحدات رقابة شرعية متخصصة داخل بعض المؤسسات المالية، أضعف من مستوى الامتثال وأدى إلى تباين في التفسير والتطبيق.

إضافة إلى العوائق التشريعية، تعاني بيئة التمويل الزراعي الإسلامي في فلسطين من ضعف في أدوات التحوّط المالي، مثل التأمين التكافلي الزراعي، أو عقود السلم الموازي، وهو ما يجعل المؤسسات أكثر تحفظًا في تبني هذا النوع من التمويل. كما أن غياب الوعي الكافي لدى المزارعين حول مزايا التمويل الإسلامي وخصوصًا صيغة السلم، أدى إلى تراجع في الطلب المجتمعي، رغم الحاجة الملحة.

انطلاقًا من هذا الواقع، تبرز الحاجة الملحّة لدراسة معمّقة تُقيّم الإطار القانوني والتنظيمي الناظم لتطبيق عقد السلم في فلسطين، وتحلّل العوامل المؤثرة في مدى تفعيله داخل القطاع الزراعي، مع تقديم نماذج مقارنة ودروس مستفادة من التجارب الدولية الناجحة .وتكتسب هذه الدراسة أهميتها من كونها الأولى التي تدمج التحليل الفقهي مع القراءة القانونية والتنظيمية لعقد السلم في السياق الفلسطيني، ضمن منهج نوعي ميداني يستند إلى مقابلات وتحليل وثائق من داخل المؤسسات الفاعلة.

وتسعى الدراسة للإجابة عن سؤال محوري يتمثل في: "ما مدى تأثير الإطار القانوني والتنظيمي في فلسطين على محدودية استخدام عقد السلم في تمويل القطاع الزراعي؟"، مع التفرّع إلى تساؤلات فرعية تتناول التحديات الرقابية، وضعف الكفاءة المؤسسية، وسبل تفعيل هذا العقد بما يتوافق مع الشريعة الإسلامية والواقع المحلي.

1.1. الخلفية النظرية

تُمثّل الخلفية النظرية جزءًا جوهريًا في بناء الأساس العلمي للدراسة، حيث تُسهم في تأطير الإشكالية البحثية

ضمن الإطار النظري المناسب. وفي سياق دراسة تأثير البيئة القانونية على تطبيق عقد السلم في القطاع الزراعي الفلسطيني، فإن فهم النظريات المرتبطة بالتنظيم القانوني والعقود يُعد أمرًا ضروريًا لتفسير التحديات القائمة، واقتراح حلول منهجية قابلة للتطبيق.

تُعد البيئة القانونية من المحددات الرئيسية التي تؤثر في نجاح أو فشل أدوات التمويل الإسلامي، لاسيما في السياقات التي تتطلب توافقًا دقيقًا بين أحكام الشريعة والنصوص القانونية الوضعية. ويبرز عقد السلم كأداة تمويلية إسلامية فريدة، تتطلب بيئة قانونية وتنظيمية داعمة لضمان تطبيقها الفعال، خاصة في القطاعات الحيوية مثل الزراعة.

وفقًا للنظرية المؤسسية (Institutional Theory) ، فإن التشريعات والأنظمة لا تؤدي فقط دورًا تنظيميًا، بل تُسهم في تشكيل السلوك المؤسسي وتعزيز الثقة في المعاملات المالية. وهذا ما تؤكده دراسات عديدة بأن البيئة المؤسسية المستقرة والواضحة تُعد شرطًا أساسيًا لجذب الفاعلين وتفعيل العقود المعقدة كالتي تتطلب التزامًا زمنيًا مؤجلًا مثل السلم.

أما من منظور نظرية العقود (Contract Theory) ، فإن الشروط الفعالة لعقد السلم – مثل تحديد السعر والكمية والموعد ومكان التسليم – تتطلب بنية قانونية واضحة تضمن التنفيذ والإنصاف في حال النزاع. أي أن صلاحية هذا العقد في الواقع العملي تعتمد بدرجة كبيرة على ما توفره البيئة القانونية من وسائل إثبات وضمانات تنفيذ.

تُشير الأدبيات كذلك إلى أن غياب إطار قانوني محدد لتطبيق عقود التمويل الإسلامي، أو غموض المرجعيات الرقابية والشرعية، يؤدي إلى تردد المؤسسات المالية في استخدام هذه الصيغ، كما هو الحال في العديد من الدول التي لم تُدرج صيغ التمويل الإسلامي ضمن قوانينها المدنية أو التجارية. وتؤكد هذه الفرضية أدبيات التمويل الإسلامي المعاصر مثل ما طرحه حول الحاجة إلى تجديد البنية القانونية لتتلاءم مع خصوصيات التمويل الإسلامي.

من جهة أخرى، فإن خصوصية عقد السلم كتمويل قائم على التسليم المؤجل تتطلب أدوات قانونية خاصة، مثل القدرة على إنفاذ العقود دون الحاجة إلى ضمانات تقليدية كالرهن. وهذا يتطلب بيئة قضائية وتشريعية تُمكّن المؤسسات المالية من اللجوء إلى القانون المدني أو التجاري لحل النزاعات دون الوقوع في مخالفات شرعية.

في السياق الفلسطيني، فإن البيئة القانونية تواجه تحديات متعددة، من حيث تداخل السلطات القانونية، وتعدد المصادر التشريعية (قوانين عثمانية، أردنية، مصرية، فلسطينية حديثة)، إضافة إلى محدودية الإطار الخاص بالتمويل الإسلامي، ما يجعل من تطوير خلفية نظرية ملائمة ضرورة لفهم السياق وتوجيه السياسات التشريعية

نحو التمكين الفعلي لعقود مثل السلم.

وبناء على ذلك، فإن هذه الخلفية النظرية توفّر الأساس المفاهيمي لفهم دور القوانين والتشريعات في تمكين أو إعاقة استخدام عقد السلم، وتؤطّر الإشكالية البحثية ضمن إطار علمي يمكن من خلاله تقييم التجربة الفلسطينية واقتراح بدائل تشريعية وتنظيمية تتماشى مع أحكام الشريعة ومتطلبات السوق. وتُمهد هذه الرؤية النظرية الشاملة للانتقال إلى مراجعة الأدبيات ذات الصلة وتحليل واقع التطبيق العملي لعقد السلم في السياق الفلسطيني.

1.2. مشكلة الدراسة

رغم التقدّم النظري الذي شهدته أدوات التمويل الإسلامي، وعلى رأسها عقد السلم، باعتباره صيغة متكاملة توفر تمويلاً مسبقاً للمنتجات الزراعية وتسهم في دعم المنتج المحلي، إلا أن الواقع العملي في فلسطين يُظهر ضعفاً ملحوظاً في اعتماد هذا العقد داخل المؤسسات المالية الإسلامية. هذا التراجع في التفعيل لا يرتبط بغياب الحاجة أو بضعف الإمكانات الاقتصادية فقط، بل يُعزى – في المقام الأول – إلى معوّقات ذات طابع قانوني وتنظيمي وهيكلي.

فالإطار القانوني الفلسطيني لا يتضمن تشريعات تفصيلية تُنظّم تطبيق العقود الشرعية، كما أن الأنظمة الناظمة الصادرة عن الجهات الرقابية، مثل سلطة النقد الفلسطينية، لا توفّر تعليمات تنفيذية واضحة تتعلق بالسلم، الأمر الذي خلق فراغاً تنظيمياً أضعف ثقة المؤسسات المالية بتطبيقه. يضاف إلى ذلك ضعف الرقابة الشرعية المؤسسية، وتعدّد المرجعيات التنظيمية، وعدم وجود معايير موحدة لتطبيق الصيغ التمويلية المتوافقة مع الشريعة، مما يعمّق حالة التردّد لدى البنوك الإسلامية والمؤسسات التمويلية الأصغر في تبني هذا العقد.

وانطلاقًا من هذا الواقع الإشكالي، تتمحور مشكلة الدراسة في السؤال الرئيس الآتي:

ما مدى تأثير الإطار القانوني والتنظيمي في فلسطين على محدودية استخدام عقد السلم كأداة من أدوات التمويل الإسلامي، خصوصاً في تمويل القطاع الزراعي؟

هذه المشكلة لا تُطرح من منطلق استكشاف معرفي بحت، بل تنبع من فجوة عملية قائمة، تؤثر على قدرة القطاع الزراعي الفلسطيني في الوصول إلى أدوات تمويل فعالة ومتوافقة مع الشريعة، وسط تحديات اقتصادية، ومخاطر إنتاجية، وبيئة تنظيمية متعثرة.

1.3. أهداف الدراسة

تهدف هذه الدراسة إلى تعميق الفهم حول مدى تأثير الإطار القانوني والتنظيمي في فلسطين على تقييد استخدام صيغة السلم في تمويل القطاع الزراعي من قبل المؤسسات المالية الإسلامية. وتنطلق من فرضية أن غياب التشريعات المتخصصة، وضعف الرقابة الشرعية، والتحديات المؤسسية تشكل معوّقات مركزية أمام تفعيل هذه الصيغة التمويلية الأصيلة. ومن ثم تسعى الدراسة إلى تحقيق الأهداف التالية:

تحليل البيئة القانونية والتنظيمية الناظمة للتمويل الإسلامي، مع التركيز على ما يتعلق بعقود السلم في السياق الفلسطيني.

تشخيص أبرز التحديات المؤسسية والإجرائية التي تعيق استخدام عقد السلم في تمويل الزراعة.

تقييم دور الرقابة الشرعية والتشريعية في دعم أو إعاقة اعتماد عقد السلم ضمن المنتجات التمويلية الإسلامية.

اقتراح نموذج عملي لتفعيل عقد السلم في المؤسسات المالية الإسلامية الفلسطينية، بما يتوافق مع الواقع القانوني والاقتصادي.

1.4. أسئلة الدراسة

تُبنى هذه الدراسة على مجموعة من التساؤلات البحثية التي تُوجّه عملية التحليل وتساعد في بلورة الإطار التفسيري للنتائج، وتتمثل في:

إلى أي مدى يوفّر الإطار القانوني والتنظيمي في فلسطين بيئة مواتية لاعتماد عقد السلم كأداة تمويلية في القطاع الزراعي؟

ما هي أبرز العوائق القانونية والرقابية والمؤسسية التي تحول دون تبني المؤسسات المالية الإسلامية لصيغة السلم؟

كيف يمكن تصميم نموذج تطبيقي فعّال وقابل للتنفيذ لعقد السلم في فلسطين يراعي الجوانب القانونية والشرعية والاقتصادية؟

1.5. أهمية الدراسة

تكتسب هذه الدراسة أهميتها من كونها تسلط الضوء على إحدى أهم أدوات التمويل الإسلامي التي تمتاز بالمرونة والملاءمة للقطاع الزراعي، وهو عقد السلم، وذلك ضمن سياق فلسطيني يعاني من فجوة تمويلية حادة ومركّبة في الزراعة. وتأتي هذه الدراسة في توقيت بالغ الأهمية نظرًا لما يشهده القطاع الزراعي الفلسطيني من تحديات متفاقمة ترتبط بتقلبات الإنتاج، ونقص السيولة، وتقييد الوصول إلى التمويل، خاصة التمويل المتوافق مع الشريعة.

وتكمن الأهمية العلمية للدراسة في أنها تجمع بين التحليل الفقهي والتقني والتنظيمي لعقد السلم، وهو ما لم تتناوله الدراسات السابقة بصورة متكاملة. كما تعتمد الدراسة على منهجية نوعية ميدانية تُمكّن من فهم أعمق للعوائق الواقعية التي تواجه تطبيق هذه الأداة التمويلية، مما يُضفي بعدًا تطبيقيًا عمليًا يعزز من قابليتها للاستخدام من قبل صنّاع السياسات، والمؤسسات المالية، والجهات الرقابية.

إضافة إلى ذلك، تُسهم الدراسة في ملء فجوة معرفية حول غياب التشريعات والإجراءات التنفيذية الخاصة بصيغ التمويل الإسلامي الزراعي، وتطرح نموذجًا مقترحًا لتفعيل عقد السلم في فلسطين، معزّزًا بتوصيات واقعية مستندة إلى خبرات ميدانية وتحليل وثائق تنظيمية. ومن ثم، فإن نتائج هذه الدراسة لا تقتصر على تقديم إضافة علمية، بل تحمل أبعادًا تطويرية قد تسهم في تحسين الوصول إلى التمويل الزراعي وتوسيع الشمول المالي في فلسطين.

2. الدراسات السابقة

شهدت السنوات الأخيرة اهتمامًا متزايدًا بدراسة أدوات التمويل الإسلامي، لا سيما تلك المتعلقة بتمويل القطاع الزراعي، مثل عقد السلم. وقد أظهرت عدد من الدراسات الدولية والعربية أن الإطار القانوني والتنظيمي يمثل أحد العوامل الحاسمة في إنجاح أو إعاقة تطبيق هذا العقد:

أ. أظهرت دراسة Zin et al. (2021) في ماليزيا أن غياب التشريعات التفصيلية والتعليمات التنفيذية يشكل عقبة أمام انتشار عقد السلم، وأوصت بضرورة تطوير إطار تنظيمي متكامل يتماشى مع متطلبات الشريعة (Zin et al., 2021).

ب. Alsharif و Abdullah (2022) أشارا إلى أن غياب وضوح المرجعيات الرقابية يؤدي إلى تفاوت في تطبيق العقود الإسلامية، مما ينعكس سلبًا على استقرار المنتجات المالية (Alsharif & Abdullah, 2022).

ت. ركزت دراسة Abd Rahman و Abd Ghani (2020) على دور تحديث البيئة القانونية في ماليزيا، وأكدت أهمية السياسات التشريعية المراعية للخصوصية الفقهية في تعزيز تطبيق عقد السلم (Abd Rahman & Abd Ghani, 2020).

ث. Muhammad و Mustafa (2019) ناقشا التحديات التنظيمية في دولة الإمارات، وحددا ضعف التوعية والتدريب كمحدد رئيسي في ضعف تبني عقد السلم (Muhammad & Mustafa, 2019).

ج. أما Al-Hassan و Khan (2018) فقد خلصا إلى أن الدول ذات التشريعات الواضحة تشهد نموًا ملحوظًا في تطبيق التمويل الإسلامي الزراعي (Al-Hassan & Khan, 2018).

ح. كما استعرض Elgari (2010) التجربة السودانية، وأوضح كيف أن إدراج السلم ضمن سياسات البنك المركزي ساعد على تعزيزه كأداة تمويل ناجعة (Elgari, 2010).

تشترك هذه الدراسات في تأكيدها على أهمية وضوح التشريعات والرقابة الفعالة والتدريب المؤسسي في تمكين التمويل بالسلم، لكنها غالبًا ما تناولت الموضوع من زوايا جزئية أو في سياقات قانونية وتنظيمية مستقرة نسبيًا، دون التعمق في خصوصية السياق الفلسطيني. ومن هنا، تبرز الحاجة إلى دراسة نقدية معمقة تسلط الضوء على أوجه القصور القانونية والرقابية التي تحد من تطبيق عقد السلم في فلسطين.

3. الفجوة البحثية

على الرغم من وفرة الدراسات التي تناولت التمويل الإسلامي وعقوده، لا سيما في السياقات الماليزية والخليجية، إلا أن هناك غيابًا واضحًا لتحليل نقدي شامل يدمج بين الأبعاد القانونية والتنظيمية لعقد السلم، والتحديات الفعلية لتطبيقه في السياق الفلسطيني.

معظم الدراسات السابقة ركزت على الجوانب الفقهية أو الاقتصادية بصورة منفردة، أو على تجارب بلدان ذات بيئة تنظيمية مستقرة نسبيًا، دون الأخذ بعين الاعتبار تعقيدات الواقع الفلسطيني، سواء من حيث غياب التشريعات المتخصصة، أو ضعف الهيئات الرقابية، أو عدم وجود مرجعيات قضائية واضحة تُنظم هذا النوع من العقود.

كما أن غالبية الدراسات لم تُقدّم نموذجًا تطبيقيًا واقعيًا يمكن أن يُعتمد في الأراضي الفلسطينية لتعزيز توظيف عقد السلم، بل اكتفت بتوصيات عامة. لذا فإن هذه الدراسة تُسهم في ملء هذا الفراغ من خلال تحليل معمّق يجمع بين الفقه، والقانون، والواقع التنظيمي، مستندة إلى مقابلات نوعية مع خبراء وممارسين، ما يمنحها طابعًا عمليًا تطبيقيًا، ويجعلها مرجعًا لصانعي السياسات ومؤسسات التمويل الإسلامي.

3.1 أوجه التشابه والاختلاف مع الدراسة الحالية

تشترك الدراسة الحالية مع معظم الدراسات السابقة في تأكيدها على الدور المحوري للإطار القانوني والتنظيمي في تمكين أو تقييد تطبيق عقد السلم، كما تتفق معها في أهمية وضوح التشريعات وتفعيل الرقابة الشرعية وتوفير التعليمات التنفيذية. ومع ذلك، فإن هذه الدراسة تختلف من عدة نواحٍ:

أ. من حيث البيئة الجغرافية والسياقية، تركز الدراسة الحالية على الحالة الفلسطينية، التي تتميز بخصوصية قانونية وسياسية واجتماعية غير موجودة في بيئات الدراسات الأخرى مثل ماليزيا أو الإمارات أو

السودان.

ب. من حيث المنهج التحليلي، تجمع هذه الدراسة بين التحليل القانوني والتنظيمي والمقابلات الميدانية، في حين أن معظم الدراسات السابقة اعتمدت على التحليل النظري أو الفقهي أو النماذج الاقتصادية.

ت. من حيث الهدف التطبيقي، تسعى الدراسة الحالية إلى تقديم نموذج عملي قابل للتنفيذ في فلسطين، بينما اقتصرت أغلب الدراسات السابقة على توصيات عامة دون الربط المباشر بالإطار القانوني المحلي.

ث. من حيث الفجوة البحثية، فإن هذه الدراسة تقدم معالجة شاملة تربط بين البيئة القانونية، الهيئات الرقابية، والجهات القضائية، في سياق محلي محدد، وهو ما لم يُتناول بهذا العمق في الدراسات السابقة.

3.2 ما تتميز به الدراسة الحالية

أ. تعالج الدراسة إشكالية قانونية تطبيقية ترتبط بواقع تمويل القطاع الزراعي الفلسطيني، وهي زاوية لم تُغطَّ بالقدر الكافي في الأدبيات.

ب. توظّف منهجًا متعدد المصادر يجمع بين التحليل القانوني والدراسات الميدانية وشهادات الخبراء، ما يعزز مصداقية النتائج.

ت. تقدم مقترحًا عمليًا قابلًا للتنفيذ يستند إلى واقع التشريعات الفلسطينية، ويدمج عناصر الشريعة والقانون الوضعي.

ث. توفر توصيات مباشرة لصنّاع السياسات، والهيئات الرقابية، والمؤسسات المالية، مما يعزز من قابلية الدراسة للتطبيق الفعلي.

3.3 ما ستضيفه الدراسة الحالية

أ. إثراء الأدبيات القانونية والتنظيمية المتعلقة بعقود التمويل الإسلامي، من خلال دراسة تطبيقية تُعنى بالسياق الفلسطيني.

ب. تسليط الضوء على التحديات الفعلية التي تواجه البنوك الإسلامية ومؤسسات التمويل الأصغر في استخدام عقد السلم.

ت. بناء قاعدة معرفية تستند إلى الواقع المحلي وتدعم جهود تطوير تشريعات متخصصة في التمويل الإسلامي.

ث. تقديم إطار تنفيذي مقترح يمكن الاستفادة منه من قبل الجهات الرقابية والمشرّعين الفلسطينيين.

ج. ربط التحليل القانوني بمخرجات المقابلات الميدانية بما يضمن شمولية التوصيات ومناسبتها للتطبيق العملي.

وعليه، فإن الدراسة الحالية تُعد مكملة لما سبقها، لكنها تتجاوزها بتحليل أكثر التصاقًا بالسياق الفلسطيني، ما يمنحها قيمة تطبيقية وعلمية متقدمة لصانعي السياسات ومؤسسات التمويل الإسلامي.

4. منهجية الدراسة

تعتمد الدراسة على المنهج الوصفي التحليلي، الذي يتضمن جمع وتحليل المعلومات المتعلقة بالإطار القانوني والتنظيمي عبر مراجعة الوثائق القانونية، التشريعات، والتعليمات التنفيذية الصادرة عن الجهات الرسمية، بالإضافة إلى مراجعة الأدبيات والدراسات السابقة.

كما استُخدم المنهج النوعي من خلال إجراء مقابلات شبه منظمة مع خبراء وموظفين في المؤسسات المالية الإسلامية، ومسؤولين في سلطة النقد، وأعضاء هيئات الرقابة الشرعية، بهدف الحصول على رؤى مباشرة حول معوقات تطبيق عقد السلم وفرص تطويره.

شملت العينة عددًا من البنوك والمؤسسات التمويلية التي تقدم خدمات التمويل الإسلامي في فلسطين، حيث تم تحليل بياناتهم لتقييم مدى انتشار وتطبيق صيغة السلم. تم استخدام تحليل المحتوى لتفسير البيانات النوعية وتوليف النتائج مع المعلومات القانونية والتنظيمية.

5. النتائج

أظهرت نتائج الدراسة عدة نقاط رئيسية تؤثر على محدودية استخدام عقد السلم في تمويل القطاع الزراعي الفلسطيني، يمكن تلخيصها كما يلي:

أ. ضعف التشريعات التفصيلية: غياب قوانين وتشريعات واضحة ومحددة تنظّم عقود التمويل الإسلامي عامة، وعقد السلم خاصة، مما يخلق حالة من عدم اليقين القانوني لدى المؤسسات المالية.

ب. عدم وجود تعليمات تنفيذية واضحة: سلطة النقد الفلسطينية لم تصدر حتى الآن توجيهات واضحة تُسهل اعتماد عقد السلم، مما دفع المؤسسات إلى تجنب استخدامه خوفًا من المخاطر التنظيمية.

ت. ضعف الرقابة الشرعية المؤسسية: العديد من المؤسسات المالية تفتقر إلى وحدات رقابة شرعية متخصصة، أو تعاني من تعدد المرجعيات الشرعية، ما يسبب تبايناً في فهم وتطبيق العقود الشرعية.

ث. مخاطر إدارية وتشغيلية عالية: تطبيق عقد السلم يتطلب متابعة مستمرة وإدارة مخاطر معقدة، وهو ما يفتقر له النظام الإداري في بعض المؤسسات، خاصة المؤسسات التمويلية الأصغر.

ج. قلة الوعي والمعرفة: ضعف الوعي بين المزارعين بخصوص فوائد التمويل بالسلم وبنوده الشرعية، ما يؤثر سلبًا على الطلب على هذا النوع من التمويل.

ح. غياب أدوات التحوّط المالي: نقص في منتجات مثل التأمين التكافلي الزراعي التي يمكن أن تخفف من المخاطر المرتبطة بعقد السلم.

خ. تفضيل المؤسسات لصيغ تمويل أخرى: تميل المؤسسات إلى صيغ التمويل التقليدية أو المرابحة والإجارة، لسهولة تطبيقها ووضوح مخاطره مقارنة بالسلم.

5.1 المناقشة والربط بالدراسات السابقة

تتسق نتائج الدراسة مع ما توصلت إليه العديد من الدراسات السابقة المنشورة في قواعد بيانات سكوبس، حيث أظهرت الدراسات مثل دراسة Zin et al. (2021) أن غياب التشريعات التفصيلية والتعليمات التنفيذية يمثل عقبة رئيسة أمام توسيع استخدام السلم، وهو ما تأكد من خلال تحليل الإطار القانوني الفلسطيني.

كما يتفق مع نتائج Alsharif & Abdullah (2022) التي أشارت إلى ضعف الرقابة الشرعية المؤسسية وتعدد المرجعيات كأحد أبرز المعوقات، مما يؤدي إلى تباين في التطبيق ويضعف ثقة المؤسسات في الصيغ التمويلية الشرعية.

أما فيما يتعلق بالمخاطر الإدارية والعملية، فتتفق مع ما خلص إليه Muhammad & Mustafa (2019) حول ضعف التدريب والتوعية، وهو ما يبرز الحاجة إلى بناء قدرات داخل المؤسسات المالية لتعزيز تطبيق عقد السلم.

وقد أظهرت تجارب ماليزيا والسودان، كما بينت دراسات Abd Rahman & Abd Ghani (2020) وElgari (2010)، أن تطوير البيئة التشريعية والدعم المؤسسي هما عاملان أساسيان في نجاح تطبيق عقد السلم وتمويل القطاع الزراعي، وهو ما يؤكد ضرورة الاستفادة من هذه النماذج في وضع سياسات خاصة بفلسطين.

6. المقترحات

بناءً على النتائج والتحليل، تُقدّم الدراسة التوصيات التالية لتفعيل عقد السلم كأداة تمويلية فعالة للقطاع الزراعي الفلسطيني:

أ. تطوير التشريعات القانونية :صياغة قوانين وتشريعات متخصصة تنظم التمويل الإسلامي بصفة عامة،

وتوضح حقوق وواجبات الأطراف في عقود السلم على وجه الخصوص.

ب. إصدار تعليمات تنفيذية من سلطة النقد :ضرورة تبني تعليمات واضحة تُسهّل اعتماد عقد السلم، مع توفير أطر عملية لإدارة المخاطر المرتبطة به.

ت. تعزيز الرقابة الشرعية المؤسسية :إنشاء وحدات رقابة شرعية متخصصة في كل مؤسسة مالية، وتوحيد المرجعيات الشرعية لتقليل التباين في الفتاوى والتطبيقات.

ث. تدريب وتأهيل الكوادر المالية :رفع مستوى وعي الموظفين في المؤسسات المالية، وتوفير برامج تدريبية متخصصة في عقود التمويل الإسلامي وخاصة عقد السلم.

ج. زيادة الوعي لدى المستفيدين :تنفيذ حملات توعية تستهدف المزارعين والمزارعات حول فوائد التمويل الإسلامي وصيغة السلم، مع توضيح حقوقهم وواجباتهم.

ح. تطوير منتجات تحوّط مالية :دعم تطوير التأمين التكافلي الزراعي ومنتجات تمويل موازية تخفف من المخاطر التشغيلية والإنتاجية.

خ. تعزيز التعاون مع التجارب الدولية :الاستفادة من تجارب الدول التي نجحت في تفعيل عقد السلم في التمويل الزراعي، مثل السودان وماليزيا، لتكييف السياسات واللوائح المحلية.

7. الخاتمة

خلصت الدراسة إلى أن محدودية استخدام عقد السلم في تمويل القطاع الزراعي الفلسطيني ليست مجرد مسألة تقنية أو فقهية، بل ترتبط ارتباطًا وثيقًا بالإطار القانوني والتنظيمي الذي يفتقر إلى وضوح التشريعات والتنظيمات الداعمة. وأظهرت النتائج أن هناك فجوة بين النظرية الشرعية والتطبيق العملي نتيجة لضعف التشريعات، وعدم وجود تعليمات تنفيذية، بالإضافة إلى التحديات المؤسسية المتعلقة بالرقابة الشرعية والإدارة.

إن تفعيل عقد السلم في فلسطين يتطلب جهداً تشريعياً وتنظيمياً متكاملاً، مع بناء قدرات المؤسسات المالية ورفع وعي المستفيدين. إن تحقيق ذلك سيسهم في سد الفجوة التمويلية في القطاع الزراعي، وتحسين مستوى الشمول المالي، ودعم التنمية الاقتصادية المستدامة في فلسطين.

8. مراجع

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