

THE PRACTICES OF ISLAMIC SOCIAL FINANCE IN SUDAN, INDONESIA AND MALAYSIA: ISSUES AND CHALLENGES

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Abstract

Islamic Social Finance (ISF) is an emerging area of study that emphasizes *Zakat* (alms), *Waqf* (property donated for religious or community use), and *Sadaqa* (charity). These concepts are also used towards the achievement of Sustainable Development Goals, namely SDG1 (no poverty), SDG2 (zero hunger), and SDG4 (quality education). This study has selected three countries, namely Indonesia, Malaysia, and Sudan, to examine the practices. The methodology used employs content analysis followed by interviews of scholars to confirm the variables for the research. The research revealed different practices and procedures for *Zakat*, *Waqf*, and *Sadaqa* carried out by these countries to address the issues concerned. The findings would be useful for academicians as a body of knowledge in ISF. It will also benefit the regulators in reviewing and setting up new policies and guidelines for adoption by the government and private institutions to address poverty, hunger, and education.

Keywords: Islamic Social Finance, Sustainable Development Goal, Indonesia, Malaysia and Sudan

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Introduction

Islamic Social Finance (ISF) concept has existed since the early days of Islam and its role over time. This sector consists of several institutions based on *Zakat*, *Waqf*, and *Sadaqa*, as well as profit and non-profit Islamic microfinance (IRTI, 2014). These concepts have been widely used in Muslim countries to help people in need through income distribution and wealth transfers, which plays a vital role in alleviating poverty. The increasing income inequality cavity and political instability in many Muslim countries have upsurge the need for ISF. Therefore, *Zakat* and *Waqf* institutions have occupied a substantial role in Muslim countries' socio-economic development. However, the trust that we have in these institutions that deal with Islamic social funds needs to be checked. It is because of a lack of understanding of its operations and poor governance quality to prevent financial leaks and fraud. The advent of financial technology (Fintech) has improved ISF institutions and has become more efficient and transparent (Chishti & Barberis, 2016).

As a result, there is better monitoring of its operations, which could eradicate asymmetric information, fraud, mismanagement, and distrust between counterparties (Zhang, 2019). Nonetheless, ISF's primary purpose is to address the societal issues mentioned above, namely, poverty, hunger, and education, which is in line with the Islamic faith (Abd Aziz Abu Bakar, 2014). It is also harmonious in meeting the objective of Shariah, which is to protect the five necessities of humans, namely, Religion (*Din*), Life (*Hayya*), Intellect (*Aql*), Progeny (*Nasl*), and Wealth (*Mal*) (Razinah, Zain, Rabiah, & Engku, 2017). Economically, Islam is not permitted to accumulate wealth that people need. Wealth is considered life-blood. Therefore, this predicates the need to have wealth distribution from rich to poor as commanded by Allah (SWT) via a mandatory obligation of *zakat* payment, this sense of equality is marked in its approach to the allocation of scarce resources (Atah, Mohammed, Nasr, & Mohammed, 2018).

The development of ISF exhibited an impressive advancement in the last decades. *Zakat*, *Waqf*, and *Sadaqa* are the most important and widely used instruments used in combating social problems such as poverty, hunger, improving

the quality of education, and enhancing the welfare of the *ummah*. According to the WIEF Foundation (2018), more than 60 million people are homeless (Razinah et al., 2017). Over 95 percent of current global conflicts occur in Muslim-dominated countries struggling with poverty and inequality (Razinah et al., 2017). In addition to this, 600 million of the world's poor lived in five OIC countries, while another five OIC countries account for 600 million of the world's poor. Also, the performance of *zakat* collections varies between countries. There is also a lack of common law for *zakat's* collection among many Muslim countries (Razinah et al., 2017). In Sudan, 46.5 percent of households live below the poverty line (Abdelatti, Elhadary, & Samat, 2016). The Indonesian poverty rate was 9.8 percent in 2018, while Malaysia's poverty rate was the lowest, 0.4% in 2015 (World Bank, 2020).

Hence, there is a need to examine the practices of ISF in Indonesia, Malaysia, and Sudan so that we can learn and gain from the similarities and differences in their effort to reduce poverty, hunger and improve the quality of education so that steps can be taken to address the issues that will benefit the society. The objectives are to examine the issues faced by Indonesia, Malaysia, and Sudan in implementing ISF to eradicate poverty, hunger and improve education quality, to investigate the similarities and differences in the practices of *zakat*, *waqf*, and *sadaqa* in Indonesia, Malaysia, and Sudan, and to make recommendations for improving policies and guidelines of *zakat*, *waqf*, and *sadaqa*. The inputs from this inquiry are significant in the area of Islamic finance. It discussed various theories on *Zakat*, *Waqf*, and *Sadaqa* and how they are being practiced in Indonesia, Malaysia, and Sudan in addressing the issues of poverty, hunger, and enhancing the quality of education. The result will be valuable to academicians, as it will reveal a new body of knowledge in ISF. It will also provide guidelines for regulators to introduce policies to facilitate its implementation.

Literature Review

Research practices in ISF have recently received significant attention from both academicians and professionals. This paper focuses on examining the relationship between the ISF and the goals of sustainable development, which include SDG 1 (no

poverty), SDG 2 (zero hunger), and SDG 4 (quality education). Ismail and Shaikh (2017) explained that the goals of sustainable development are about human and social well-being. They are in accordance with Islamic ethics and philosophy. *Maqasid Al Shariah* emphasizes on human well-being from a spiritual, physiological, intellectual, and economic perspective. Muslim countries widely use *zakat*, *Waqf*, and *Sadaqa* to eradicate poverty, reduce hunger, and improve education quality in achieving sustainable development goals. Islamic social, financial institutions such as *Zakat* and *Waqf* can help and intensify efforts for financially sustainable projects and essential programs to society. It has great potential for promoting sustainable economic development through policies such as improving access to finance (including microfinance), financing infrastructure projects, and expanding funding utilizing *Takaful* (Islamic Insurance) (Ismail & Shaikh, 2017).

Definition of Islamic Social Finance

ISF is a zone covering traditional Islamic finance institutions centered on the philanthropy of *zakat*, *waqf*, and *sadaqa*. Its institutions are based on cooperation, including community investment, microfinance, social impact bonds, community finance funds, and philanthropic investment programs (World Humanitarian Summit, 2016). Also, it has salient features that operate on *Maqasid Al Shariah* (Objectives of Islamic Law). Hence, social and faith-based financing provides financial assistance and support to people in need to alleviate human suffering and preserve the environment from the conflict and disaster-affected (World Humanitarian Summit, 2016).

Islamic social finance practices in Indonesia, Malaysia and Sudan

ISF has excellent potential in promoting the development of social well-being and a sustainable environment. Hence, this study investigates the extent of contribution of ISF institutions in selected countries, namely Indonesia, Malaysia, and Sudan. The backgrounds of these countries are summarized as in Table 1 below.

Table 1: Socio-economic Profiles of Indonesia, Malaysia and Sudan

Profiles	Indonesia	Malaysia	Sudan
Population	273.52 million	32.6 million	44.2 million
Muslim proportion	225 million	19.9 million	42.8 million
GDP (USD)	1,111.71 billion	365.30 billion	30.87 billion
Zakat Collection	267.8 million	547 million	220,286 million
Institutional Structure:			Chamber of Zakat in Sudan.
<ul style="list-style-type: none"> • <i>Zakat and Sadaqa</i> • <i>Waqf</i> 	<ul style="list-style-type: none"> • Government and Private • <i>Badan Wakaf Indonesia</i> 	State Islamic Religious Council (SIRC)	Ministry of <i>Waqf</i>
Islamic Microfinance	<i>Baitul Maal wat Tamwil</i> (BMT)	<i>Amanah Ikhtiar Malaysia</i> (AIM)	Sudanese Microfinance Development Company (SMDC)
Success Projects	<i>Dompot Dhuafa Republika</i>	<i>Waqf An-Nur Corporation Bhd</i>	<i>Waqf Corporation</i>

Note: 1 USD = IDR 13.702, 1 USD = Rm 4.08, 1 USD = SDG 45.15

Indonesia

Indonesia is Southeast Asia's largest economy. It is a diverse country comprising more than 300 ethnic groups. The country's per capita GDP has increased steadily, from \$823 in 2000 to \$3,932 in 2018. Indonesian poverty rate was 9.8 percent in 2018 (Worldbank, 2020). The implementation of the use of Islamic finance in microfinance practices has begun mainly during the last decade. As the largest Muslim population globally, Islamic finance is widely used in Indonesia to meet the strong demand for Islamic financial services; however, the market share is less than three percent of Indonesia's total market.

Moreover, there are ten Islamic banks, 23 shariah units of commercial banks, 145 Islamic rural banks, and thousands of Islamic cooperative companies (Karim, 2010). Although *zakat* is mandatory in Islam to fight poverty, the awareness of Indonesian Muslims on *zakat* payment is still shallow. The amount of *zakat* collected each year is far behind based on the Muslim population. For example, BAZNAS, Indonesia's largest *zakat* institution, raised only \$ 2.6 million in 2010, while *zakat*'s national household income reached \$ 61 trillion (Yumna & Clarke, 2011). The

management of *zakat* in Indonesia has exhibited an increasing trend. The total *zakat* collection has been increased by 32 times over the last decade or almost US 231.6 million in 2012. According to BAZNAS, the *zakat* funds are distributed into four main programs, namely education program, humanitarian aid, health program, and economic program.

Secondly, in terms of *waqf*, Indonesia has the highest potential for *waqf* due to its large Muslim population (Osman, Htay, & Muhammad, 2012). The existence and implementation of *Cash Waqf* have been in effect since 2004. However, the government approved and inaugurated the *Waqf* act in 2004 through the adoption of Act No. 41, 2004, relating to *Waqf*, Indonesia. It also comprises tangible *waqf* like money, stock, and securities. Until today, many *waqf* institutions have been founded in Indonesia, including the Indonesian *Waqf* Deposit, Centre for justice and caring for the Ummah "*Daarut Tauhid*" and many other *Cash Waqf* institutions (Affandi & Nufus, 2010). Huda, Rini, Mardoni, Hudori and Anggraini (2017) examined *waqf*'s problems in Indonesia. They demonstrated that there is still an insufficient state budget for *waqf* and low competence of the *waqf* management unit.

Malaysia

Malaysia is a federal constitutional monarchy comprises of 13 states with three federal territories, Kuala Lumpur, Putrajaya, and Labuan. Malaysia's estimated population is 32.6 million in 2017, with the Muslim community, approximately 19.3 million in 2017 (Index Mundi, 2018). *Zakat* mobilizations and management were increasing over 20 years in which it increased 28 times or US 547 million in 2011 (IRTI, 2014). In addition, Malaysia is the newly industrialized market economy, which has a GDP worth US 314.7 billion in 2017 (World Bank, 2020).

The State Islamic Religious Council (SIRC) managing *zakat* institutions such as *Baitul Maal*, *zakat* department, and *zakat* Committee (Ahmed, 2004). Abd Aziz Abu Bakar(2014)stated that the institutional structure of *waqf* and *sadaqa* are under the jurisdiction of SIRC of each state to ensure the Islamic law and regulation on the *waqf* and *sadaqa* practices and to achieve an efficiency of Islamic religious programs. Hence, a lack of standardization between the states would disrupt the educational*waqf* administration (Azha, Baharuddin, Salahuddin, & Afandi, 2013).

Also, Aziz, Johari, and Yusof (2013) proposed an idea of education financing by using cash *waqf* established by the Islamic *waqf* bank.

In Malaysia, the pioneering organization for microfinance is known as *Amanah Ikhtiar Malaysia* (AIM), was established in 1987 (Ismail, 2001). It uses loans based on *Qard-Hasan* (interest-free) principles; however, AIM charges a 10 percent service charge on its loans (Saad, 2012). The structure of standards of governance is very crucial for ISF. According to Zain and Ali (2017), the lack of standard of governance for the distribution of *zakat*, *waqf*, and *sadaqa* is one of the issues related to ISF tools. Moreover, Noor, Ali, Abdullah, and Tahir (2014) clarified that the Malaysian Department of *Waqf*, *Zakat*, and *Haj* in 2010 revealed statistics which indicates that 11,511 hectares of *waqf* land with an estimated amount value of RM116,441,667, only being utilized by 0.72 percent. They suggested that *waqf* institutions need further improvement on governance and management efficiency, which may result in standards of welfare and quality of life of beneficiaries. As the *zakat* and *waqf* management are under SIRCO or *Majlis Agama*, there is a need to address the challenges of transparency as the key factor of dissatisfaction towards *zakat* institutions in Malaysia as well as stakeholders, donors, and public concerning the demand of what is happening to resources that committed to charitable organizations including *zakat* and *waqf* institutions (Nadzri, Rahman, & Rashidah & Omar, 2012; Sulaiman & Zakari, 2015).

Sudan

According to Staff, Board, and Group (2000), Sudan was one of the world's poorest countries. As a result, primary school enrolment had decreased to about 56 percent (Jomah, 2015). One of the Sudanese *zakat* program's main issues is the lack of coordination between the Sudanese *zakat* chamber and the financial service system. There is also a lack of data and insufficient provision of reliable information on the impact of *zakat* (Hassanain & Saaid, 2016). The *Zakat* Fund in Sudan was established in the *Mahdia* mandate under the *Zakat* Fund Law of 1980 in Jumada II (1400H), corresponding to April 1980. Among the shortcomings of this law is the duality between *zakat* and taxes. In 1984 the *Zakat* Fund was separated from taxes, and the legal personality of *zakat* was developed into clear and strategic goals based on scientific and practical foundations (Salih, M. M. (1990)).

On the other hand, the Ministry of Guidance and *Waqf* in Sudan was established in 2001. Its main objectives include spreading religiosity, caring for houses of worship, supporting peace and tolerance, developing and simplifying *Hajj, Umrah* procedures, building the Ministry's planning and organizational capacities, and updating technically. Poverty remains spread extensively in Sudan despite efforts to reduce its occurrence. Regarding the Castro (2010) survey, which indicates that National Baseline Household NBHS in 2009 discovered 46.5 percent of the people of the north of Sudan was under the poverty line. *Zakat* in Sudan gives priority to persons with particular necessities in terms of income, medical care, education, and people who need to buy a house and other thing in need (Abdelmawla, 2014). *Zakat* is the most important source of social security in Sudan, providing multidisciplinary support from transferring money to medical bills with seasonal families in Ramadan (Kjellgren, Jones-Pauly, El-Tayeb Alyn, Tadesse, & Vermehren, 2014).

Research Methodology

This study adopts a qualitative approach to collect its primary data. There are two stages, namely library search for the literature review followed by content analysis. The second stage is the interviews. The selection of interviewees is conducted utilizing purposive sampling because the researchers want to choose a person who has in-depth knowledge and experience in the research area. Table 2 (see Annex 1) summarizes the background of the six participants of the study. The primary data was collected using a semi-structured interview because of its flexibility and capability in adjusting questions during data collection.

Findings and Discussions

Zakat

There are different practices of *Zakat* found from the literature concerning the three countries. *Zakat*'s main issue is whether it can be used to reduce poverty, hunger, or education. Interviewee E1 from Indonesia said:

“In Indonesia, *zakat* institutions are divided into two: public and private institutions. Private institutions are almost 103 institutions that collect *zakat* from people. Apart from this, in this year, the latest *zakat* collected and estimated is more than IR 300 trillion in Indonesia. However, the real collection of *zakat*, for instance, in 2018, was about 4% (maybe the actual is more than). This means that 96% of *zakat* was not collected from the population. Therefore, this is an issue. If the *zakat* is collected correctly, it can reduce poverty and hunger. In Indonesia, there is a national *sharia* council that issued a *fatwa* (*fatwa* is not binding); hence, *zakat* collection is not compulsory in Indonesia. Moreover, there is another issue there. Some people give *zakat* directly to the people, not *zakat* collection institutions”.

(E1 – Indonesia)

This is supported by E4 from Malaysia. According to this participant:

“*Zakat* is the most important mechanism for income distribution in the society, as Allah says – the rich and wealth does not remain only among the rich (Chapter 59, versa: 7) the part of the wealth should come to the poor that is the distribution. There must be institutions, *zakat* must be institutionalized, some countries have got institutionalize such as Malaysia, Indonesia and Pakistan, the importance of *zakat* in income distribution is unquestionable since it can alleviate poverty, and hunger”.

(E4 – Malaysia)

This argument is also explained further by E5 from Sudan. He said:

“For sure *zakat* has a long track record in Sudan. Islam has been for more one thousand years. So, *zakat* has been since long time until recently and government established a complete institution in *zakat* call *Dewan al-zakat*. As far as the poverty is concern, they have been a tremendous contribution on this *Dewan al-zakat* and in fact, it relates to the Ministry of Welfare. So, the two have been very instrumental in fighting poverty in Sudan. In addition, *Dewan al-zakat* every year provide tuition fees for more than eighty thousand students and also subsistence for poor students. So, in Sudan, *Dewan al-zakat* is considered by united nation development program as among few countries that contribute tremendously to education”

(E5 – Sudan)

The analysis confirmed that *zakat* could be used to eradicate poverty, reduce hunger, and utilized for education by the three scholars from Indonesia, Malaysia, and Sudan. However, the practices are different. In Indonesia, *zakat* collection is not made compulsory. Hence, only 4 percent was collected out of IR 300 trillion. This is not the case in Malaysia, whereby the SIRC regulates *zakat*. Similarly, *zakat* is also compulsory in Sudan. It is collected from a government institution known as *Dewan*

al-Zakat. The low collection of *zakat* in Indonesia cannot effectively eradicate poverty, hunger, and improve education quality. In Malaysia, *zakat* is distributed among eight *Asnaf*s, including the poor and needy.

Views of the scholars, E1 from Indonesia regarding issues on *zakat*'s further development, are as follows.

“A close relationship regarding *zakat* between society and government is one that can improve awareness of *zakat*. For instance, BAZNAS- one of the public *zakat* collection institutions started in the last few years to improve their governance by publication to their website. The reason is that they need to create trust between *zakat* collection institutions and people. *Zakat* is being paid and collected through private and public. Paying *zakat* through private is better since it is more transparent.”

(E1- Indonesia)

Participant E2 from Malaysia add:

“It is possible to help to alleviate poverty, hunger, and improve quality of education, but it is very limited because *zakat* only pays to eight categories start with: the poor, the needy, *zakat* administrators, those whose hearts are to be reconciled those in bondage, the debt-ridden, in the cause of God, the wayfarer. Moreover, in Malaysia, the payment is much-regulated concept and managed by the *Majlis Ulama*, not like Indonesia, it is more liberal. However, *zakat* contributes less effectively to reducing poverty, hunger and the quality of education due to the problem of transparency”.

(E2 – Malaysia)

According to another participant (E3):

“The government already have many efforts to increase awareness by using many ways like social media, during Friday prayers, if you go to certain mosques, which is run by the government, they even talk about *zakat* as a standard message in the *Qudbah*. Besides, it is important to teach the students in the school the principle of *zakat*, and they must include in their syllabus in the public schools. One thing I notice from my own experience in the school, they tend to focus more on other topics but topics such as *riba* and *zakat* was not discussed at the early stage that is primary school even in secondary school”.

(E3 – Malaysia)

Meanwhile, participant E6 from Sudan add:

“*Zakat* managed through *Dewan al-zakat* in Sudan and of course this *Dewan al-zakat* has organization structure and independent body and they have their sharia board members. However, based on that there are few challenges with *Dewan al-zakat*, which are human resources, outrage, infrastructure, compliance, management in terms of trust deficit and availability of data”.

(E6 – Sudan)

Indonesia has established a public *zakat* collection known as BAZNAS, as mentioned in the literature. The setting up's objective is to improve the governance and build trust between the *zakat* collector and the people. Although *zakat* collection is better through the SIRC in Malaysia, it is much regulated and can only benefit the eight *Asnaf*s. Nonetheless, there is further need to increase the awareness of *zakat* payment from school to be aware of their obligations when they grow up. In Sudan's case, the challenges are built building up the infrastructure to strengthen human resources and governance.

Waqf

The management procedures of *waqf* is a backbone of achieving the benefits of *waqf* in Muslim countries. According to E1:

“In Indonesia, they use cash *waqf*, but majority of the *waqf* assets are in form of land (immovable) and more than 90 percent used like mosque, madrasah (Islamic school). In 2005, the government issued the *waqf* Act. According to this act, *waqf* can be permanent or temporary. For instance, a person can sacrifice his/her land as permanent *waqf* asset or can sacrifice just 2 or 3 years as *waqf* asset. In Indonesia, more than 200 institutions can receive *waqf* from society. While in Malaysia, *waqf* can be received by religious authority (*Majlis Agama*)”.

(E1- Indonesia)

In Indonesia, the government facilitates and provides a platform for building private and public *waqf* institutions. E1 further added that the role of *waqf* in Indonesian education as:

“There are many education institutions based on *waqf* in Indonesia. For instance, condor high school based on *waqf* was more than 40 years. However, this is not mean that these schools are free, but their tuition fees are affordable. In 2018, the government of Indonesia launched document names “*waqf* core principles” to make strong the

relationship between waqf management institutions and people, Moreover, this document safeguards the governance of *waqf* institutions. Therefore, this is a kind of government promoting this *waqf* sector”.

(E1- Indonesia)

There are several issues concerning *waqf* development. According to Ahmad (2019), there are several issues in *waqf*'s management, which are against *waqf*'s optimal utilization. Besides, the current *waqf* institution in Malaysia is quite restricted, resulting in operations constraints resulting in low social awareness of *waqf* and its management (Harun, Possumah, Bin Mohd. Shafiai, & Mohd Noor, 2016). E3 supports this as he highlighted from Malaysia.

“The *waqf* management is under religious authority (*Majlis Agama*). The problem is that religious authority does not have competence to efficiently manage *waqf* property within their control. Many *waqf* lands are not beneficial because of the lack of competence and is no incentive or motivation because management cannot accountable as shareholders to encourage investing in those lands. Moreover, one of the challenges is *waqf* data is not being revealed publicly by the religious authority, so you cannot find some data about *waqf*”.

(E3 – Malaysia)

Therefore, a challenging question may arise: What are the remedies for the improper management of waqf? Ahmad (2019) suggested a way forward for establishing and reforming waqf institutions to overcome problems against maximum utilization of *waqf* and achieve the inherent objectives of waqf. E2 supports this as he stated:

“The only body who deals with *waqf* is religious authority called (*Majlis Agama*). To me, *waqf* should be privatized, let people share more if they are doing in the right way because many people have money, they are rich, but they do not know where their money goes and how it is managed”.

(E2 – Malaysia)

Waqf is one of the ISF tools. It has existed since the early of Islam. *Waqf* takes a vital role in social development, especially education. *Waqf* is not only as "ibadah" to Allah SWT, but it also has a wide meaning to all Muslims' growth. E2 highlighted that:

“Many universities have their *waqf* fund, but they do not call *waqf* rather they call endowment fund because if they call it *waqf* then they must report to the state. For instance, IIUM established *waqf* by collecting money from the people and then give to students who need it. In addition, there are many types of *waqf* is not regulated likes *waqf* for education, business and so on”.

(E2 – Malaysia)

Another scholar (E4) highlighted that:

“*Waqf* is a promise to give something for which does not meet any return such as building mosque, schools (*Madrasah*) universities, previously *waqf* was only land, now we are experiencing cash *waqf*, even scholarship.”

(E4 -Malaysia)

Hence, the Malaysian government must overcome the constraints, increasing the *waqf* awareness among citizens and also make a brand-new concept to see the *waqf* institution in Malaysia thrive around the globe(Harun et al., 2016). E2 further supported this idea:

“Malaysian government can take a role for solving *waqf* constraints. The government of Malaysia must contribute more by delivering the awareness of *waqf* to the people. In the USA and UK, they used *waqf*, but they do not call *waqf*. They call it endowment, so in this case we are Muslims, we should be more aware of *waqf* concept”.

(E2 – Malaysia)

E3 supports this argument.

“Honestly, I do not think at Malaysian government play much of role to promote *waqf*. The tax sector should realize and try to use this concept more to address certain needs of society. What the government so far has done is they have not stop and prevent from the people the developments of *waqf*, but have they done to promote this? I do not think so. Therefore, they should play a tangible role for *waqf* promotions”.

(E3 – Malaysia)

As for Sudan, E5 said that:

“The government can take a role to create *waqf* awareness to the society in order to enhance the quality and quantity of *waqf* collection. They have *waqf*, which is specifically for education, which instituted for universities. They are four or types that is *waqf* for teachers, business people, students, traders and for agriculture.”

(E5 – Sudan)

Based on the above analysis, there is a need to create more awareness of *waqf* due to different practices adopted by each country, namely Indonesia, Malaysia, and Sudan. There is a need to study the law and governance aspects of *waqf*. Also, on the operations and delivery to respective stakeholders.

Sadaqa

The practice of *sadaqa* also varies among the three countries, Indonesia, Malaysia, and Sudan. E1 from Indonesia said, although *sadaqa* is a non-compulsory payment to everyone, the government encourages people to pay to help poor people.

“There is a charity index, which measure charity level between societies. In Indonesia, it one of the top Muslim country in that charity index. This indicates that no extra effort to promote people to pay *sadaqa* as long as they are willing to pay. However, something missing in *sadaqa* collection institutions that are promoting trust between them and society”.

(E1 – Indonesia)

Indonesia has an institution specialized in *sadaqa* collection to enhance the quality of proper *sadaqa* distributions. Therefore, E1 suggested that:

“Indonesia have private institutions that collect *sadaqa* from society. In my recommendation, it is better for the government to accommodate civil society to establish and register institutions to collect *waqf* and *sadaqa*, not for *zakat*. Government should play the role of administration in *waqf* and *sadaqa*”.

(E1 – Indonesia)

Sadaqa is another type of ISF instrument that can play an essential role in alleviating poverty and supporting people in need, as E2 underlined.

“*Sadaqa* is more voluntarily donation and not classified under *zakat* and not classified under *waqf*, if I give *sadaqa* to mosque for example, how they are going to use it? Because if you look at *zakat*, they will give to the eight categories that mentioned in the Quran. There is a new modern *sadaqa* that I have realized which is *e-sadaqa*”.

(E2 – Malaysia)

This argument is also supported by E4 from Malaysia.

“Allah says, “ who among you is willing to give loan to Allah” (chapter 57, versa: 11) we are all poor, the next verse Allah says you do not have to give it to me, you just give it to the poor people then you are giving to the Allah, can you imagine? Therefore, if we have that kind of heart you should give *sadaqa* – this is non-obligatory. You can give *sadaqa* for any amount you need, but *zakat* is only 2.5 percent. It is very limited and there is still some Muslims who do not pay *zakat*. But *sadaqa*, there is no limit, so, *sadaqa* is so great that it is like giving loan to the Allah. It is so important, sometimes in the holy Quran *sadaqa* and *zakat* is very close and come together, sometimes it used synonymously with one another, sometimes *zakat* is under the category of *sadaqa* but actually *zakat* is an obligatory but *sadaqa* is not obligatory that is why *sadaqa* has no limit. So, if people are true and committed Muslim, they can contribute as much as they like”.

(E4- Malaysia)

Since *sadaqa* is not compulsory, many people do not contribute if they do not get encouragement or awareness regarding the benefits of contributing to *sadaqa* to poor people. Furthermore, there are some problems faced by the distribution of *sadaqa* to the right people (people who are in need). Hence, E3 highlighted that:

“People face the dilemma of collecting charity. The dilemma is: is this person poor or not? If we need to encourage people, we should find a way or mechanism to identify who is poor or need money and who is a professional beggar. Therefore, we can enact a law to punish unauthorized applicants and to help people to know easily those who are very needy. Sometimes people pay *sadaqa* in the box of mosque and it is quite safe and trust”.

(E3 – Malaysia)

Moreover, E3 believed that:

“Establishing a *sadaqa* institution can be a solution for *sadaqa* problems. In other words, when it comes to giving, you need mechanism where you can give money to somebody you trust. Therefore, you can have as special institutions where they have official *sadaqa* collectors that have license and got authorize by the government”.

(E3 – Malaysia)

This argument, however, is disagreed by E4:

“This is not obligatory. So, no need because you cannot force the people to give *sadaqa* and pay it. It is difficult, it must come from your heart, and from the *iman*.”

(E4 – Malaysia)

According to another Expert (E3):

“Muslim people nowadays are encouraged to pay *sadaqa* especially in the Friday; scholars must educate the people and encourage them so that they can pay *sadaqa*. The problem of giving *sadaqa* to the right people can be solved by paying through institutions”.

(E3- Malaysia)

Similar to *zakat* and *waqf*, *sadaqa* is another ISF tool that can alleviate poverty. E6’s opinion towards the utilization of *sadaqa* for poverty reduction:

“*Sadaqa* can be used for direct social and financial support the deprived people. Other alternative the government through the regulator need to adopt financial inclusion strategies to made poor access to finance after building their financial capability”.

(E6 – Sudan)

This statement is said differently by E5:

“I believe that there is no need to separate *zakat* from *sadaqa* because *sadaqa* is a big umbrella and divided by two. Firstly, *Al-Sadaqa al-wajib* (compulsory) which is *zakat* as in Quran and voluntary *sadaqa*. Therefore, *sadaqa* can take a crucial role for poverty alleviation”

(E5 – Sudan)

Since *sadaqa* is not compulsory, it depends on the willingness of the individual whether he/she willing to contribute or not. Therefore, as E2 and E4 stated above, countries like Malaysia should create more awareness to inform people to contribute *sadaqa* to poor people. Hence, like *waqf* and *sadaqa* awareness may not be necessary for Sudan as E5 highlighted:

“The Sudanese society specially and many Arab in general the *Karam* (generous) or generosity being running in their blood you go everywhere the people is happy to give. I remember something call marriage of *al-Zahra* (free group marriage) means people will collect money and give it to the poor people to marry free even their ceremony”.

(E5 – Sudan)

Finally, to enhance the effectiveness of *sadaqa* collection, management, and distribution to the right people, there is a need to establish a *sadaqa* institution like Indonesia. According to both E5 and E6, they agreed with each other:

” I will not recommend creating the institution let it for the choice of the people and the effect just see in society. How the society respond and a lot of function so that one will reflect this *sadaqa*”.

(E5 – Sudan)

This is also agreed upon by E6:

“No need for a new institution. *Sadaqa* can be collected under *Zakat House (diwan Al-Zakat)* and distributed by it”.

(E6 – Sudan)

Conclusion

The issues that affected poverty, hunger, and quality education affected Muslim and Western countries and hence need to be internationally addressed. They are also issues concerning the achievement of sustainable development goals, namely SDG1 (Zero Poverty), SDG2 (Zero Hunger), and SDG4 (Quality of Education). Muslim countries have comprehensive tools to deal with *zakat*, *waqf*, and *sadaqa* issues. These tools are also called ISF tools. However, this paper is limited to three countries which are Sudan, Malaysia, and Indonesia. The ISF tools could practically solve the poverty, hunger, and quality of education issues that many countries are struggling with. However, these countries practiced and applied differently to achieve the target. Indonesia has one of the most comprehensive *waqf* institutions due to privatization. Hence, Malaysia should emulate this by allowing private sector players to do *waqf* and *sadaqa* collections. Overall, the three countries have their application, management, procedure, and system to regulate, manage, and distribute *zakat*, *waqf*, and *sadaqa* and its related bodies.

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Table 2: A Brief Background of the Participants

Experts	Institutions and Backgrounds
Indonesia	
Expert 1	She is founding director of waqf center for Indonesian Development and Studies (WaCIDS), she is pursuing PhD program at Institute of Islamic Banking and Finance (IiBF), International Islamic University Malaysia (IIUM) with a full scholarship from Indonesian Endowment Fund for Education (LPDP).
Malaysia	
Expert 2	He is an Associate Professor. He served the banking industry for 25 years. His Ph.D. thesis won 4 th placing in the National Inter-Varsity Best Thesis (Ph.D.). He has undertaken several research and consultancy projects with the industry. He is currently an author, researcher, and lecturer at Department of Finance at International Islamic University Malaysia.
Expert 3	He is an Assistant Professor. He won the best paper award at the annual Malaysian Finance Association (MFA) conference twice in a row and has a number of publications in refereed journals. He is currently a lecturer and researcher at <i>Department</i> of Finance at International Islamic University Malaysia
Expert 4	He is a professor at department of Economics, International Islamic University Malaysia (IIUM). He wrote several books including development and institutions in 1993 and Malaysia's economic success in 1994.
Sudan	
Expert 5	He is an Associate Professor. He has conducted trainings on Islamic economics, banking, finance and Zakat in various countries, attended by Board of Directors, investors, academicians, Sharia scholars and practitioners. He is currently a lecturer and researcher with Department of Economics at International Islamic University Malaysia (IIUM).
Expert 6	He is currently working at Research & Advisory Services, the Islamic Research and Training Institute (IRTI). He is conducting researches in Financial Economics, Econometrics and Behavioural Economics. His current project is "Enhancing Women's Capability and Financial Inclusion in Sudan, Yemen, Comoros and Morocco".

