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Islamic social finance efficiency and eco-system: Islamic finance in action

Abstract. *The potential and prospects of Islamic finance are the issue that is currently generating the most discourse among professionals, governmental bodies, and financial experts. The objective of the article is to assess the efficiency of Islamic social finance and suggest potential improvements in the current financial framework. The focus is on assessing the economic and social outcomes of integrating Islamic finance principles into micro businesses, as a means to promote economic development and involve communities in solving social issues. Moreover, the authors explore how social initiatives aimed at supporting micro-businesses can lead to cost savings for public resources. The paper seeks to develop an optimal eco-system design for countries with dual financial system based on conventional and Islamic by utilizing an analysis approach based on Kazakhstani implementation case. The establishment of a social financial ecosystem offers Islamic finance an advantageous role in promoting societal benefits. This is achieved through regulations that encompass not only civil law and human frameworks but also the principles of Islamic Law. Such arrangements enable the development of a sustainable and prosperous financial system and equally nurture a society that prioritizes social welfare and philanthropy. Furthermore, based on the findings from this study, enhancing the societal functions of Islamic finance can address various social challenges present within communities with vulnerable populations, and may serve as a viable solution for reducing government expenditure on targeted social assistance programs. Additionally, this study provides recommendations for institutional support of the Islamic social finance eco-system integrated into the financial system of the country.*

Keywords. *Islamic finance, social finance, ecosystem, efficiency, institutional support.*

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Introduction

Islam provides a holistic approach toward life, offering guidance for human beings to achieve prosperity and success in both personal and communal aspects. In terms of economic principles, Islamic teachings promote equitable distribution of wealth with justice, freedom, moderation, and compassion as core values. Consequently, this sets in motion the growth and advancement of an ethical financial system that benefits everyone without exploitation or discrimination.

Therefore, Islamic economics is not just a set of rules but rather a comprehensive ideology encompassing various methodologies aimed at addressing contemporary socioeconomic challenges based on the Quranic message and Prophetic traditions. Adopting this perspective means expanding academically by exploring diverse fields such as history, sociology, politics economy while deepening one's knowledge around Shariah laws related to finance & trade; improving analytical skills regarding global markets trends - enhancing understanding from macroeconomic indicators- developing research methods applied towards alternative investment strategies within institutional framework compliant with risk management features enforced highlighting impact investing examples for greater social responsibility driven returns [1].

The main goal of Islamic economics is to ensure that the fundamental needs of individuals are met by utilizing resources efficiently and maintaining social harmony in order to foster cooperation between labor and capital, whilst completely eliminating monopolization. Eminently, it also emphasizes attaining social justice through fair wages for employees as well as reducing unemployment rates. Furthermore, this economic system seeks to strike a balance between individual requirements and societal development factors [2].

Presently, there are 274 million individuals worldwide who require humanitarian intervention. Notably, the required budget for such aid has grown annually and reached 41 billion US dollars in 2022 [3]. The rise of conflicts and wars around the globe along with the current pandemic have further complicated matters, increasing migration numbers and exacerbating issues faced by those who seek assistance from outside their homeland or place of origin. Consequently, it is vital that these individuals receive help from the international community; several measures have already been implemented to address this need while simultaneously searching for alternative solutions - one being Islamic social finance when integrated alongside microfinance approaches which hold great potential as a means of overcoming both economic and social challenges presented by global threats today.

Islamic finance offers a distinct approach to microenterprises. Microfinance is an effective tool for alleviating poverty, as it provides financial services, credit facilities, venture capital support, savings accounts, insurance protections, and money transfers at the grassroots level of society [4].

Consequently, households' earnings would increase while creating demand for other essential goods and services such as education, health care, and nutrition. In times of political and social unrest or when supporting migrants or vulnerable groups becomes necessary charity combined with technological solutions could leverage Islamic microfinance towards achieving its goals in this regard.

The symbiosis of Islamic finance and technology needs an environment for development, which can be provided by the ecosystem. The ecosystem for Islamic social finance, which is deeply anchored in ethical and societal values, assumes a pivotal function in the realm of social finance [5]. The ecosystem is developed through the integration of services and systems offered by conventional financial institutions with those provided by Islamic financial institutions. The four principal participants within this ecosystem are the coordinators representing various stakeholders involved in the system, and providers of social finance.

One of the key elements for the Islamic finance and social objectives' successful advancement is to confront institutional hindrances such as legislative, organizational, and economic challenges. To counteract these obstacles, it is necessary to establish effective measures that constitute an explicit plan for the promotion of Islamic finance. Recent research has put forth pragmatic remedies ranging from revisions in current regulations to assimilation of financial technologies; all aimed at maximizing the social effects generated by Islamic finance.

To establish and develop an ecosystem, it is crucial to create a plan of action initially. Afterward, one needs to recognize the providers that offer social finance services for this process. These may comprise government authorities, global institutes, zakat or waqf foundations, and Islamic financial institutions along with representatives from socially responsible and sustainable commerce based on the magnitude and intention of determining the predicament in the initial phase.

Literature review

The essential tenets of economic relationships in Islam have a strong social foundation, as elucidated in the Holy Scripture. Islam advocates for peace and prosperity on Earth by promoting good deeds towards family members, orphans, the poor, neighbors - both kin and strangers -, companions nearby or during travel, and slaves one possesses without haughtiness or arrogance. Any unfavorable thoughts, actions or disputes run contrary to Islamic teachings which mandate cooperation in virtue while avoiding misconduct [1].

The social and ethical features of financial system based on Islam are summarized as following [2,3]:

- Islamic finance is driven by principles that foster a stable and socially conscientious economic system. The system prohibits the charging of interest, instead opting for productive economic activities based on tangible assets.

- Uncertainty, speculation, and gambling are also forbidden as they do not lead to sustainable economic activity rooted in real financing arrangements where partners must fulfill their commitments according to Islamic teachings.

- Any business or commercial transactions involving haram items are strictly prohibited while profit without liability for service risk is not accepted in such financial systems.

- Further, money serves only as a technical instrument used solely for facilitating sales transactions rather than possessing any inherent value within itself- all this is done with the ultimate aim of ensuring community welfare aligned with Maqasid principles upheld by Islam which stresses balance across areas including social development, economic prosperity, and preservation of natural resources.

- The essential foundation of the unadulterated Islamic financial instruments, specifically Musharaka and Mudaraba, originate from the principles of profit and loss sharing. The fundamental value system that supports these principles is defined by a cooperative method of business endeavors in which capital acts as a representative for forming partnerships. In stark opposition to traditional banking systems, Islamic financial institutions deem it imperative not only to distribute profits but also losses and risks fairly with their clients who are regarded as collaborators. Furthermore, they refrain from hedging risks or transferring them onto their clients; instead opting to undertake collective responsibility to maximize mutual benefits. This principle derives its credibility through “liability justifies return” which underscores the importance of combining liability with returns while ensuring no disparity exists between benefits derived from ventures and associated risks faced thereby promoting balanced rights and obligations for all parties involved in such agreements.

- Islamic financial instruments offer an alternative approach to financing that prioritizes asset-based and asset-backed transactions, thereby promoting real economic activity.

- The societal implications of Islamic finance encourage funding that prioritizes the community, aiming to tackle social problems like poverty and inequality through mechanisms such as zakat and qard-hasan.

These distinctive features set Islam financial system apart from traditional instruments while providing it with a competitive advantage during times of economic crises. To demonstrate the ethical benefits for individuals and economies, we have presented them in tabular form together with their underlying sources.

Table 1 - Islamic finance’s social elements

№	Element	Advantage	The source
1	Equal rights	The mean level of material well-being, attaining individual and familial necessities	4:5 (Quran)
2	Fair distribution	Reducing poverty and prevent excessive accumulation of wealth in the hands of a few individuals.	17:83 (Quran)
3	Social equity	Horizontal justice of individuals	8:29 (Quran)
4	Advancement and economic expansion	Investing in a sector of the economy that meets the interests of society and avoiding additional savings	62:10 (Quran)
5	Creating wealth	Wealth supports life, and it must be used effectively	2:188 (Quran)
6	Financing based on real assets	A strong and stable economy that is resilient to financial shocks and crises	30:39, 2:278, 3:130, 2:276, 4:161, 2:275 (Quran)

7	Interest (riba) prohibition	A crucial aspect of economic growth is the sustainable development of the real economy, which aims to prevent a disconnect between debt creation and wealth creation	30:39, 2:276, 4:161, 2:275, 3:130, 2:278 (Quran)
8	Elimination on returns on nominal transactions	Islamic finance is exclusively based on genuine transactions, with the real transaction mechanism facilitating the direct transfer of money supply to commodity markets	4:161, 30:39 (Quran)
9	Elimination of financial gain without liability	It is imperative to maintain a balance between liability and benefits, ensuring that profit is not detached from risks. It is essential for both parties involved to have equal rights and obligations in order to achieve symmetry	11:85 (Quran)
10	Speculation and (garar) uncertainty prohibition	The creation of profitable economic endeavors, which are founded on sound reasoning and tangible assets, is emphasized in Islamic finance. Participants have a responsibility to honor their contractual commitments and uphold the integrity of their promises	17:34, 5:1 (Quran)
11	Sharing of loss and profit	The business activity is based on joint nature and partnership	4:135, 4:29 (Quran)
12	Partnership and Risk sharing	Dealings and transactions are based on justice	9:24, 2:279 (Quran)
13	The concept of money as a technical tool	In terms of its function, money serves solely as a medium for facilitating transactions. Each unit of money holds the same value as any other unit, with no distinction or hierarchy among them. The worth of money is determined by its ability to measure and represent the varying values of different goods and services.	6:165, 20:6, 24:33 (Quran)
14	Restriction on funding prohibited (haram) enterprises	Haram businesses financing is prohibited. For the morally and physically healthy society creation	2:168, 90:91 (Quran)
15	Financing that focuses on the needs and welfare of society	The poverty reduction instruments such as zakat and qard-hasan.	9:13, 22:41 (Quran)
16	Special charity accounts	Islamic financial institutions' clients regulation and the special accounts for charity	Shariah Resolutions, fiqh and hadiths
Note: The authors' own [4] [5] [1]			

Figure 1 depicts the Islamic finance system's benefits and advantages for economics and society. Efficiency plays a vital role in this context and is based on the fundamental idea of profit and loss sharing. This principle encourages true transactions between financial resources and tangible assets while ensuring that there is no excessive accumulation of monetary funds in interest-bearing entities. Stability in this system derives from its prohibition against trading debt-to-debt or speculative instruments; instead, it emphasizes connections between financing activities with real commodities. Even though there are some debt-based arrangements available within Islam finance, selling of debts remains firmly forbidden. Islamic financial institutions employ various contracts to foster equal access to information for all stakeholders - thus ensuring an overall sense of transparency throughout their operations.

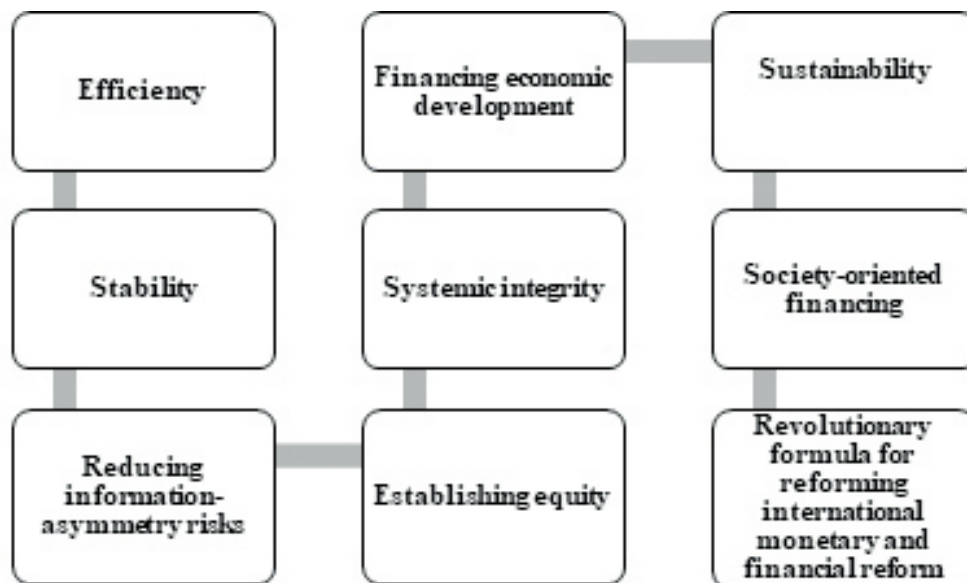


Figure 1 –The Islamic finance advantages set

Note – The authors’ own [6] [7] [8]

Enabling the mobilization of financial resources towards ethical investments and disallowing business activities classified as haram, such as drug, alcohol, tobacco production, adult entertainment services provision, casino gambling operations or weapon distribution allows for financing of economic development without exacerbating community needs. The institutional structure featuring interest and debt trading within the Islamic financial system showcases its sustainability when faced with economic and financial crises while possessing effective tools to manage their aftermaths.

Profits are generated through profit-sharing investments and partnerships in Islamic financial relations. The system includes a range of financial contracts that are compliant with Islamic principles and can be used in place of conventional debt contracts. Despite not being widely utilized globally, Islamic finance has experienced a surge in popularity over the past few years and has been increasingly embraced by numerous countries and financial institutions. The benefits of the system include increased access to finance for those who may be unable to access conventional finance due to religious or ethical reasons, as well as a focus on ethics and social responsibility in financial activities.

It is notable that, Islamic finance is on the way to the achievement of widespread adoption internationally, despite the potential benefits of its principles, such as sharing of the profit and loss and ethical financial practices. There is a growing trend towards Islamic social finance and ethical investments that align with its values. Its social features as equal abilities, social justice, and sustainable growth, demonstrate the advantages of the system. By promoting efficiency, stability, equity, and sustainability, Islamic finance offers a unique approach to finance that emphasizes social responsibilities and can promote society and economic development.

Islamic finance supplies social instruments for socio-economic enhancement, including Zakat (mandatory almsgiving), Waqf (endowments), Sadaqah (voluntary giving), and Qard Hasan (interest-free loans). These tools are not limited to Islamic countries and have been adjusted and adopted globally. Zakat is a mandatory payment, whereas waqf is a charitable endowment trust, and sadaqah is voluntary giving to those in need. These tools are frequently utilized to facilitate education and healthcare, enhance infrastructure development, and sustain social welfare programs for disadvantaged individuals, mainly through informal systems [9].

Social financing through zakat and waqf takes an essential role in Islamic financial relations. Zakat is a form of wealth redistribution, and waqf involves dedicating assets for specific charitable purposes. Expanding social financing channels can help address social and economic challenges within Islamic communities.

According to the Islamic Development Bank the potential for Zakat 12, or mandatory almsgiving, globally is estimated at 3% of the GDP globally, while the real collection is only around 0.15% of OIC member countries' GDP. However, estimates of actual global Zakat collection vary widely, with some studies suggesting a range between 200 billion and 1 trillion US dollars. Notably, that mostly Zakat is paid by individuals and is not represented officially in the data, which contributes to the variation in estimates. Despite the potential for Zakat, the real collection falls far below the estimated potential [10].

The significance of Islamic financial systems extends to micro-enterprises, making the subject of Islamic microfinance a topic that has garnered attention from scholars over an extended period. The effectiveness of microfinance as a means of reducing poverty has been acknowledged by reputable academics like Mohammed Obaidullah (2008). Islamic microfinance's main goal is to offer a range of financial services including venture capital, credit, insurance, savings, and fund transfer to individuals and small businesses with low income. The provision of these services aims to not only boost their earnings but also stimulate demand for essential goods and services such as nutrition, education, and healthcare. By extending access to financial resources in this manner, microfinance has the potential to greatly benefit disadvantaged populations by empowering them economically and promoting inclusivity within the financial system. Islamic microfinance sets itself apart from conventional microfinance by adhering strictly to Shariah principles which prohibit interest-based transactions while emphasizing ethical investments that align with social responsibility practices.

According to Khan (2008), the utmost importance should be given to ensuring access to microfinance, rather than solely focusing on the expenses associated with establishing and executing microfinance initiatives for poverty alleviation [11]. To achieve this objective, several key principles of microfinance need to be adhered to. For example, individuals and households with low incomes must have access not only to loans but also to a diverse array of financial services such as insurance, savings programs, and money transfers. Utilizing these financial services has the potential to enhance household earnings and cultivate wealth. Furthermore, integrating microfinance into a nation's financial system enables effective access to underprivileged communities. The prospect of microfinance lies in its ability to foster the creation of local financial institutions that can accumulate deposits and subsequently employ them for lending activities, while also offering various other financial services. By emphasizing these principles, microfinancing can be influential in advancing both financial inclusion and poverty alleviation.

During the course of implementing Islamic microfinance, several obstacles have been encountered. Nonetheless, the primary objective continues to be tackling societal and economic issues for both microfinance institutions and the wider community [12].

The focused issue of the research in Islamic finance social tools has been changed from 1979 to 2020. The research primarily focused on delineating the fundamental principles of Islamic social finance and conducting a comparative analysis between the Islamic economy and traditional economic systems until 2006. Subsequently, efforts were made to evaluate the potential of Islamic social finance in terms of poverty reduction through various financial instruments [4].

The research methodology and focus of research in Islamic social finance have evolved over time. Early studies were focused on historical reviews and critical analysis of theoretical materials while modern studies have shifted toward empirical research and model construction. Additionally, the research topics have been modernized, with a focus on using Islamic social finance to overcome economic problems and promote development [13]. There has been increasing attention on the role of Islamic social finance in poverty alleviation and enhancing the institutional framework for the operation of Islamic finance [14] [15]. This indicates the continuous

advancement in research concerning Islamic finance and emphasizes further investigation into how Islamic social finance contributes to economic growth and reducing poverty. This highlights the ongoing evolution of Islamic finance research and the need for continued exploration of the potential of Islamic social finance for economic development and poverty reduction [16–19].

Based on official statistics, it is proof of the Muslim faith constitutes the largest religious affiliation among the population of Kazakhstan, accounting for approximately 70.2% of its inhabitants. Furthermore, within Kazakhstan's religious landscape, there exists a singular organization known as the Spiritual Administration of Muslims in Kazakhstan. This non-profit voluntary association serves as a central governing body overseeing Islamic affairs and promoting communal cohesion amongst adherents to Islam across the country.

To facilitate the collection of zakat and sadaqah, various channels are utilized. These include a designated bank account mentioned on the organization's website, online platforms such as websites and mobile applications that enable direct contributions. Additionally, traditional banks like Halyk and Kaspi in Kazakhstan have integrated payment systems into their own websites and apps to collect funds. Furthermore, cash donations are also accepted at mosques for those who prefer an offline mode of giving.

Some scholars have proposed the integration of different measures aimed at reducing poverty and redistributing wealth in order to generate positive interactions. One suggestion pertains to enhancing the efficacy of zakat institutions by establishing collaborations with microfinance organizations and financial institutions. This proposal implies that zakat and waqf establishments, which are charitable trusts, should be integrated into the strategy for alleviating poverty among member countries of the Islamic Development Bank, including Kazakhstan as one such member [20] [10] [21].

According to Kuanova (2022), the potential of the Islamic financial resources in the country 21.55 billion US dollars, considering average per capita income, and the propensity to save. Islamic financial assets in the total financial assets in Kazakhstan - is 0.2% [22]. Kazakhstan's per capita income stands at 3,680 US dollars annually, which is nearly 2.5 times greater than the average amount of bank deposits in the country. However, it is important to note that these figures should be interpreted with caution as they do not take into account the contributions made by Islamic legal entities. Furthermore, Kazakhstan has a relatively low propensity for saving with only 0.43 individuals actively engaging in savings practices. It is worth mentioning though that these statistics are based on predictive data and should be considered within this context.

Islamic Social finance possesses the capability to effectively tackle the social and economic difficulties prevailing in Kazakhstan. This model emerges as a potential solution that aids in extending financial aid to individuals who are impoverished and vulnerable, while concurrently fostering development initiatives such as educational enhancements, healthcare provisions, and sustainable progress.

Islamic Social finance is a growing and dynamic sector. It has the potential to make a significant contribution to the social and economic development of the countries. The statement highlights the importance of integrating various aspects of the Islamic economy to maintain a robust Islamic economic ecosystem. It emphasizes the need to consider multiple elements, such as social financing through zakat and waqf, tokenization of Sukuk, digitization and development of Islamic Fintech, regulation of Islamic finance, and impact investing. These factors are seen as potential enablers for Islamic finance development.

Regulation of Islamic finance is crucial to ensure compliance with Islamic principles and maintain the integrity and stability of the industry. Effective regulatory frameworks help build trust and confidence among investors and participants in the Islamic finance ecosystem. Impact investing, which focuses on generating positive social and environmental impacts alongside financial returns, aligns with Islamic principles of ethical and responsible investing. Encouraging impact investing within the Islamic finance industry can promote sustainable development and address societal challenges.

Methodology

The present research employs data analysis techniques combined with content analysis, which are a set of clear and uncomplicated procedures utilized to demonstrate how study data is generated and structured. The collected information was assessed based on its trustworthiness before it could be examined for informative purposes. In this particular investigation, the researchers employed content analysis as an analytical tool that allowed them to methodically investigate the contents of a specific dataset through comparisons so as to elucidate fully their possible importance, prospects, impact, and role in empowering individuals by Islamic social finance projects. This technique assists in comprehending the complete description and interpretation of analyzed materials within the context being evaluated.

The study aimed to evaluate the efficiency of the Islamic social project from a socio-economic perspective and suggest recommendations for integrating it into the Islamic finance ecosystem. One of the challenges in assessing the social efficiency of utilizing financial resources is the lack of consistency and clarity in the methodologies employed by researchers [27–29]. This is primarily because the social sphere involves complex relationships between individuals, the government, and private institutions, all working towards improving the standard and quality of living for the population. As a result, the outcomes of these efforts, known as social effects, are not always easily quantifiable in economic terms and are interpreted differently across various sources.

There are challenges in assessing the long-term sustainable social outcomes that have benefits for the whole society from the realization of social programs. This includes the difficulty of measuring these outcomes in terms of value, and the use of cost assessment techniques like cost-benefit analysis (CBA), cost-effectiveness analysis (CEA), and cost-utility analysis (CUA) to analyze the effectiveness of social investments and projects. The cost-benefit analysis is specifically mentioned as a systematic comparative method of the project costs and benefits, using a single standard metric, often in monetary terms. This highlights the need for careful consideration of research methodologies and comprehensive analysis when attempting to measure the effectiveness of social projects and investments, especially when assessing their long-term impact [23] [6].

Benefit Cost Ratio:

$$BCR = \frac{[\sum B_i / (1+d)^i]}{[\sum C_i / (1+d)^i]} \quad (1)$$

where,

B_i - the benefit of project in year i ;

C_i - the costs of project in year i ;

n – years number;

d - the rate of discount

The interpretation of BCR (Benefit-Cost Ratio) is as follows: if BCR is less than 0, it means that the costs outweigh the benefits from an economic standpoint. In such cases, it is recommended not to proceed with the project. If BCR is equal to 1, it indicates that the costs are equal to the benefits, implying limited validity for the project. However, if BCR is greater than 0, it signifies that the benefits exceed the costs, and therefore, the project should be authorized to proceed. It was selected as a social project based on the zakat and donation collection for the assessment and the demonstration of a structured mechanism of Islamic social finance efficiency evaluation.

The “UME Social Market” (shop) in Kazakhstan endeavors to offer a convenient and uncomplicated means for various sectors of society to revive products, economize on clothing and non-essential items, as well as engage in philanthropic activities. This social charity shop strives to facilitate the process of giving new life to goods while simultaneously ensuring that individuals have access to cost-effective options.

Moreover, it serves as an avenue through which people can actively take part in charitable occasions. By catering to diverse segments of the population with its user-friendly approach, the shop aims to foster sustainable consumption practices while promoting social responsibility. Part of the total income generated by the “UME Social Market” goes to operational expenses, and the rest spends on charity. The project is based on the mechanism of acceptance of applications,

delivery to collection points, delivering to the warehouse, selling, and getting profit. This highlights the importance of social entrepreneurship and social investment in promoting sustainable social outcomes and enhancing the standard of living for members of society who are in need.

Results and Discussion

The financial analysis and indicators are given for estimation and illustration of the social efficiency of the project.

Table 2 - Projection of comprehensive revenue statement for a period of five years (USD)

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Revenue	75,796.00	76,175.00	105,502.00	110,777.90	116,316.79
Sales Costs	8 260.34	8 829.21	12,228.46	12,839.88	13,481.88
Gross profit	67,535.66	67,345.79	93,273.54	97,938.02	102,834.91
Adm.expenses	15,632.53	16,752.58	23,202.33	31,778.17	44,012.76
Oper. expenses	3 977.78	3 437.78	4 761.32	6 594.43	9 133.29
Cap. expenses	46,428.60	0	0	0	0
before tax, profit	1 496.75	47,155.43	65,309.89	59,565.42	49,688.86
Income tax	44.90	1 414.66	1 959.30	1 786.96	1490.67
Profit	1 451.85	45,740.77	63,350.69	57,778.46	48,198.19
Note – Authors' own estimation					

In the first year, the initial capital expenditure of the founders will be returned. However, in line with the principles of the "UME social market" and their original project idea, a significant portion of this amount will be allocated towards charitable causes. This implies that by implementing the project, not only did the founders contribute around 47 thousand US dollars to charity at once but they also established a mechanism whereby profits generated would continue to be divided equally between returns and contributions towards charitable initiatives every subsequent year.

Table 3 - The probability indicators (USD)

Indicator	Amount
Contributing to equity	50,606.34
including:	
Capital expenditures	46,628.59
Operating expenses	3977.78
Net Profit for 5 years	211,104.85
PV of the net profit for 5 years	199,301.68
NPV	152,873.08
Project payback period	1 year 1 month
PI Profitability Index	4.29
IRR	102%
Notes: The authors' own estimation	

Based on the financial indicators and projected financial statements and cash flow, the social shop is a profitable venture with strong financial performance. If all the invested funds are directed towards charity after the project is realized, and the social market operates intending

to generate profit for charity, it becomes an effective project for conducting long-term charitable activities.

The social shop holds significant social importance as it seeks to promote the concept of social protection and aid for the socially vulnerable population, as well as encourage a transfer from “excessive” consumerism to “rational” consumption. The project addresses various social issues, including:

- Assisting low-income families by providing affordable goods;
- Reducing inventory and waste;
- Facilitating the sharing of material and human resources;
- Addressing the issue of excessive consumption;
- Encouraging community involvement and reciprocal support.

Table 4 presents the socio-economic efficiency of project realization and highlights its successful operation.

Table 4 - The socio-economic efficiency

Indicator	
Persons (families), got social support from the social shop services	1000 persons / month 12,000 persons / year
Average cost	23,111 / month 277,332 /year
Present value of the cost of the of the unit of clothes/shoes (1000 per month)	250,607
Total present value of a unit of clothing or shoes (1000 / month) 5 years	1,092,871
Present value of saved clothing expenses	740,841
expenditures of social shop	46,629
Social shop profit's present value	199,302
Social shop activity socio-economic efficiency	158.90
Socio-economic efficiency of the investing in social shop	4.27

The estimated socio-economic efficiency of investing in the social shop is 4.27. This implies that for every unit of currency invested the social shop, there is a return of 4.27 units of currency for charitable purposes, as the shop operates by utilizing its profits for charity. Additionally, the socio-economic efficiency of the shop is 158.90. That is, for every unit of currency invested and utilized in the shop, there is an additional savings of 158.90 units of currency for socially vulnerable customers and individuals with limited incomes.

Over the initial five years of operation, there will be a 427% increase in charitable assistance provided, and the number of needy individuals benefiting from the social market will quadruple.

Therefore, engaging in social entrepreneurship can yield financial gains and contribute to the overall welfare of a nation's population. The positive outcomes observed in this scenario serve as an incentive for the growth and expansion of social enterprises within Kazakhstan and other nations, effectively demonstrating their viability at smaller scales like microenterprises.

Islamic social finance eco-system

Within the Islamic social finance ecosystem, there exist proponents and supporters of social welfare. These individuals and organizations play an integral role in promoting and fostering positive societal change through various initiatives:

1. The primary advocates for the welfare of society are typically government institutions and international organizations responsible for initiating social support programs;

2. Non-profit public social organizations;
3. Companies and businesses that prioritize social responsibility - profit-oriented or non-profit;
4. Institutions involved in Islamic social finance encompass various organizations that focus on zakat, waqf, and offering micro-Islamic financial services. These entities hold significant importance as they actively contribute to the advancement of social well-being within the framework of Islamic finance;
5. Islamic financial institutions, such as Islamic banks and Ijara companies, are key players in Islamic finance;
6. Islamic Capital market – Entities that offer Sukuk, Special Purpose Vehicle firms, initiators;
7. Crowdfunding and technological platforms.

In order to ensure the efficient functioning of the Islamic social finance ecosystem, it is imperative to establish a harmonious partnership between conventional Islamic institutions and capital markets while adhering strictly to shariah principles. This collaboration between the two systems is not prohibited in Islamic finance and plays a significant role in maintaining sustainability within this framework. By jointly operating, these entities can leverage their respective strengths and expertise to promote financial inclusivity while upholding ethical standards set forth by shariah law.

In order to ensure the proper functioning of the ecosystem, it is essential to have effective coordination from various entities whose main objective is promoting social welfare and achieving efficient social impact. In Kazakhstan, these coordinators include governmental bodies such as the Ministry of Finance, Ministry of Digital development, Innovations and aerospace Industry, along with institutions like AIFC and Agency of Strategic Development. Additionally, zakat institutions and waqf institutions play a crucial role in coordinating the ecosystem's activities. Specifically for our country, Zeket and charity foundations, and SAMK's (Spiritual Administration of Muslims in Kazakhstan) waqf department serve as key players in this regard.

Moreover, socially responsible businesses also contribute significantly towards coordinating the operation of the ecosystem by actively participating within its framework. Furthermore, R&D institutions hold immense significance in creating an enabling environment for innovation within the system. They act as valuable sources providing insights, perspectives, and ideas that help fuel advancements.

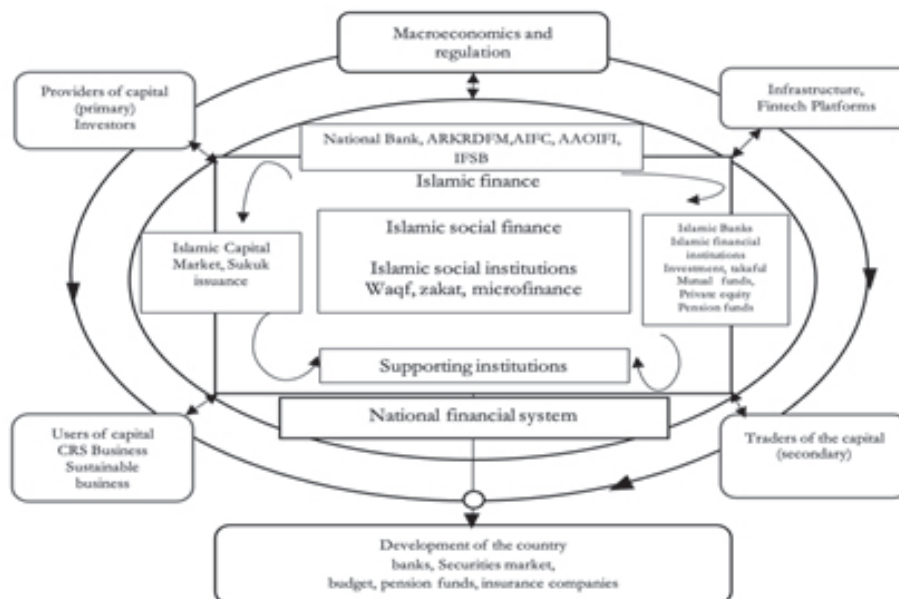


Figure 2 – Islamic Social Financial Eco-system

This study presents a model for the Islamic social finance ecosystem which is derived from conventional ecosystem models but has been adapted to serve social purposes and cater specifically to the Islamic financial industry. The model provides an overview of the key stakeholders involved in this ecosystem.

The construction of the Islamic social ecosystem involves a series of phases. Initially, it entails recognizing the existing social problems and issues at hand. In terms of national context, this stage aligns with the UN Sustainable Development Goals as our country is part of the United Nations. As such, we are committed to addressing these societal challenges that were investigated in the article - namely, poverty alleviation and minimizing government expenditure on social welfare for vulnerable individuals.

The ecosystem preparation process consists of two main stages: first, the identification of coordinators and responsible entities, and second, the establishment of an advanced mechanism to account for the results achieved in previous stages. To effectively implement this ecosystem, it is crucial to utilize appropriate technological solutions. Within the realm of the Islamic social finance ecosystem specifically, these technological solutions may include a crowdfunding platform that brings together Islamic social institutions, fund providers, and those in need.

Throughout the investigation, scholars have identified several obstacles that hinder the progress of Islamic Social Finance. These challenges include:

1) Inadequate institutional oversight and control over Islamic Social Finance organizations: The absence of proper regulation and supervision may give rise to non-professional investment practices as well as ineffective risk management, potentially resulting in financial setbacks.

2) Insufficient capacity within Islamic Social Finance institutions to effectively handle substantial quantities of funds: Numerous Islamic Social Finance institutions encounter limitations in terms of resources and expertise required for managing significant volumes of finances.

3) Inefficiency caused by the absence of collaboration among institutions in Islamic Social Finance: The absence of effective coordination and collaboration between different entities involved in Islamic Social Finance can result in redundant efforts and inefficient allocation of resources.

4) Insufficient public knowledge about Islamic Social Finance: There exists a lack of awareness and understanding among individuals regarding the principles and functions of Islamic Social Finance. This limited familiarity often leads to insufficient demand for products and services associated with this field.

Efforts are currently being made to foster the growth of Islamic Social Finance through various means:

1) One such initiative involves the creation of a national council dedicated to overseeing and shaping policies and regulations in this field. This governing body assumes responsibility for formulating guidelines that will enhance the efficacy and integrity of Islamic Social Finance.

2) Additionally, there is an active focus on establishing standards and regulations specific to Islamic Social Finance to promote more transparent and reliable financial products and services within this realm. The development of these frameworks aims at bolstering confidence among those engaged in Islamic finance transactions.

3) Recognizing the importance of nurturing expertise, training programs have been put into place aimed specifically at providing education opportunities for practitioners involved in Islamic social finance endeavors. By enhancing their skill sets, we can ensure that fund managers possess the necessary knowledge required to proficiently manage funds.

4) Enhancing public understanding of Islamic Social Finance: Raising awareness about the concepts and benefits of Islamic Social Finance has the potential to foster greater demand for these products and services, leading to enhanced social and economic progress within our nation.

To accelerate the enrichment of the poor community, an integrated approach can be implemented through management and distribution integration. This approach involves both

funding management and efficient distribution methods. There is an outline of the proposed strategy:

Management Integration:

a. Empowerment through Zakat Funds: Utilize zakat funds to provide projects and initiatives to the recipients. This empowerment process should focus on enabling individuals to improve their economic situation and become self-sufficient.

b. Development of Funding through Investment Instruments: Explore investment opportunities that align with Islamic principles to generate additional funds for poverty alleviation. This can involve ethical investment vehicles such as Islamic banking, socially responsible investments, or microfinance initiatives.

Distribution Integration:

To ensure efficient and non-overlapping distribution, the process can be divided into four phases known as the "4 ER" approach:

a. Economic Rescue: Provide immediate assistance to meet the basic needs of the poor community, such as food, shelter, and healthcare. This phase aims to address the most urgent and critical challenges faced by individuals in poverty.

b. Economic Recovery: Focus on supporting individuals in rebuilding their lives and livelihoods. This can involve providing vocational training, education, and job placement services to enhance their employability and income-generating capacity.

c. Economic Reinforcement: Offer ongoing support to individuals who have made progress in their economic recovery. This phase can include mentorship programs, business development assistance, and access to financial services to strengthen their economic stability and sustainability.

d. Economic Resilience: Promote long-term economic resilience by empowering individuals to become active contributors to their communities.

Conclusion

The authors presented economic assessments of the efficiency of charity-driven social enterprises. They introduced a theoretical framework for institutional support to ensure that Islamic finance in Kazakhstan is socially impactful. In order for Islamic finance to grow and effectively serve its intended purpose, it is imperative to address institutional obstacles through the implementation of legislative, organizational, and economic initiatives as outlined by the development strategy for Islamic finance. There exists a deficiency in the knowledge and awareness among society regarding Islamic finance. The general public lacks understanding of the operations carried out by Islamic financial institutions and their focus on societal well-being, while only a few experts possess this expertise. To address these issues, an integrated approach is proposed to evaluate the efficiency and outcomes of incorporating social aspects into Islamic finance processes with regard to uplifting impoverished communities. It is essential to establish mechanisms for frequent monitoring, evaluation, soliciting feedback, and making necessary modifications accordingly in order to ensure ongoing progress.

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Исламдық әлеуметтік қаржының тиімділігі және экожүйе: исламдық қаржы іс жүзінде

Аңдатпа. Исламдық қаржының әлеуеті мен болашағы мәселесі қазіргі уақытта мамандар, мемлекеттік органдар және қаржы сарапшылары арасында белсенді пікірталас туғызуда. Мақаланың мақсаты исламдық әлеуметтік қаржының тиімділігін бағалау және қаржы жүйесін жетілдіру бойынша ұсыныстар әзірлеу болып табылады. Мақалада экономикалық дамуға жәрдемдесу және халықты әлеуметтік мәселелерді шешуге тарту құралы ретінде исламдық қаржы қағидағтарын

шағын кәсіпорындарға интеграциялаудың экономикалық және әлеуметтік нәтижелерін бағалауға басты назар аударылады. Сонымен қатар, авторлар шағын кәсіпорындарды қолдауға бағытталған әлеуметтік бастамалардың мемлекеттік әлеуметтік шығындарды азайтуға әсерін зерттейді. Зерттеу барысында Қазақстан мысалында аналитикалық тәсілді пайдалана отырып, қаржыландырудың дәстүрлі және исламдық қағидаттарына негізделген қос қаржы жүйесі бар елдер үшін экожүйенің оңтайлы дизайны әзірленді. Әлеуметтік қаржылық экожүйені құру Исламдық қаржыны қолдана отырып, әлеуметтік саланы жақсартуға мүмкіндік береді. Бұл азаматтық құқық пен адами негіздерді ғана емес, сонымен бірге ислам құқығының принциптерін қамтитын ережелер арқылы жүзеге асырылады. Қарастырылып отырған механизмдер тұрақты және дамыған қаржы жүйесін құруға мүмкіндік береді және әлеуметтік қамсыздандыру мен қайырымдылыққа басымдық беретін қоғамның қалыптасуына ықпал етеді. Сонымен қатар, зерттеудің қорытындысы исламдық қаржының әлеуметтік функцияларын нығайту халықтың осал топтары бар қоғамда кездесетін әртүрлі әлеуметтік мәселелерді шешуге ықпал ететінін және мақсатты әлеуметтік көмек бағдарламаларына мемлекеттік шығындарды азайту жолдарының бірі бола алатынын көрсетеді. Зерттеуде елдің қаржы жүйесіне интеграцияланған исламдық әлеуметтік қаржыны институционалдық қолдауды дамытуды жетілдіру бойынша ұсыныстар қамтылған.

Түйін сөздер. Исламдық қаржы, әлеуметтік қаржы, экожүйе, тиімділік, институционалдық қолдау.

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Эффективность исламских социальных финансов и экосистема: исламские финансы в действии

Аннотация. Вопрос потенциала и перспектив исламских финансов, в настоящее время вызывает активную дискуссию среди специалистов, правительственных органов и финансовых экспертов. Целью статьи является оценка эффективности исламских социальных финансов и разработка рекомендаций усовершенствования финансовой системы. Основное внимание уделяется оценке экономических и социальных результатов интеграции принципов исламских финансов в микропредприятия в качестве средства содействия экономическому развитию и вовлечения населения в решение социальных вопросов. Кроме того, авторы исследуют влияние социальных инициатив, направленных на поддержку микропредприятий, на снижение государственных социальных затрат. В ходе исследования был разработан оптимальный дизайн экосистемы для стран с дуальной финансовой системой, основанной на традиционных и исламских принципах финансирования, с использованием аналитического подхода на примере Казахстана. Создание социальной финансовой экосистемы позволит улучшить социальную сферу с применением исламских финансов, что возможно осуществить посредством положений, охватывающих не только гражданское право и человеческие основы, но и принципы исламского права. Данные механизмы позволяют создать устойчивую и процветающую финансовую систему и в равной степени способствуют формированию общества, которое уделяет приоритетное внимание социальному обеспечению и благотворительности. Кроме того, выводы данного исследования показывают, что укрепление социальных функций исламских финансов способствует решению различных социальных проблем, существующих в социуме с уязвимыми группами населения, и может служить решением для сокращения государственных расходов на целевые программы социальной помощи. В исследовании содержатся рекомендации по совершенствованию развития институциональной поддержки исламских социальных финансов, интегрированных в финансовую систему страны.

Ключевые слова: Исламские финансы, социальные финансы, экосистема, эффективность, институциональная поддержка.

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