



INCLUSION OF FAITH BASED FINANCIAL INSTITUTIONS TO ACHIEVE SDGS VIA ISLAMIC & SOCIAL FINANCE

In 2015, countries adopted 17 Sustainable Development Goals (SDGs), to comprehend the partial success of the Millennium Development Goals (MDGs) of 2000-2015, in achieving its agenda and ending all forms of poverty by 2030. One of the main objective of the SDGs is that, ending poverty must go hand-in-hand with strategies that build economic growth and addresses a range of social needs including education, health, social protection, and creating job opportunities, while tackling climate change

and environmental protection¹. The beauty of this new SDGs involve almost all countries, all people, partners, stakeholders, shareholders, governments, multilaterals, the private sector and the civil society. However, we believed that with the recent recognition of the Faith-based organization² or we can say the Faith based financial institutions it is much recommended to include them for achieving the SDGs even before 2030 via Islamic & social finance as the objectives of Islamic & social finance and SDGs are same.



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1 <http://www.un.org/sustainabledevelopment/development-agenda/>
2 A Faith-based organization is an organization whose values are based on faith and/or beliefs, which has a mission based on social values of the particular faith, and which most often draws its activists (leaders, staff, volunteers) from a particular faith group. The faith to which the organization is relating to does not have to be academically classified as religion. The term "faith-based organization" is more inclusive than the term "religious organization" as it refers also to the non-congregation faith beliefs https://en.wikipedia.org/wiki/Faith-based_organization



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NEXUS BETWEEN FAITH & FINANCE WITH SDGs

Faith convictions of people dictates their way of life including the rules applicable in financial dealings. Therefore faith based financial institutions are widespread in the world

And these institutions play a vital role in serving the society to enhance the livelihood of those in need. It is essential to understand that all faiths have common fundamental features or attributes that they adhere to. For example they all taught peace, love, tolerance and respect for humanity promoting good activities and prohibiting bad activities. This will bring the importance of including faith based financial institutions via Islamic & social financial in achieving the SDGs.

Hence, for achieving the 17 SDGs in ending all forms of poverty it is

much recommended to relooked at three faith based financial institutions of Ahil-Kitab/People of the Book, for the following reasons; it is not possible to end poverty and hunger without reviving the financial institution of tithe/zakah which is meant to redistribute the wealth from the rich to the poor in a just and equitable manner. Similarly it is not possible to ensure health care, promote education and provide shelter for all without reviving the financial institution of charity/waqf which is meant to provide all of them and for the current and future generation. In addition, it is not possible to ensure sustainable economic growth with full employment without addressing the prohibition of usury/interest/riba and providing the alternative financial institutions that ensure sustainable economic growth, provide jobs for the mass and reduce the gap between the rich and the poor.





Tzedakah/Tithe/Zakah as Faith Based Institution

Poverty alleviation is a fundamental objective common to all faith based institutions. This objective is derived from the faith based teachings found in all scriptures of Judaism, Christianity and Islam and have a governance system to assist the poor and the needy through [tzedakah](#) and tithe. These two faith based institutions are similar to zakah and they have common objective of redistributing the wealth. For example, tzedakah in Judaism requires that 10 percent of a Jew's income be allotted to righteous deeds or causes³. Tithing⁴/ regular charity in Christians is known as an expression of love which was first expressed by God to them

in that Jesus sacrificed himself as an act of love for the salvation of believers⁵.

Charity/Waqf as Faith Based Institution

Another mechanism used by faith based financial institutions is by providing goods and services that benefit the society at large via charity/recurring charity/waqf which is also as old as humanity. For example charity in Christianity is a way to elevate one's social status and affirm existing hierarchies of power⁶. With reference to recurring charity/waqf it was also practiced by Ahli Kitab/People of the Book as they used to set aside certain lots of land and buildings as places of worship.⁷

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3 In Judaism, tzedakah - a Hebrew term literally meaning righteousness but commonly used to signify charity refers to the religious obligation to do what is right and just <https://en.wikipedia.org/wiki/Alms> & [https://en.wikipedia.org/wiki/Charity_\(practice\)](https://en.wikipedia.org/wiki/Charity_(practice))

4 A tithe, meaning a tenth-part traditionally, a title is one-tenth of a person's income paid to the Church <https://simple.wikipedia.org/wiki/Tithe>.

5 Tithing in Christian, <https://en.wikipedia.org/wiki/Alms>

6 [https://en.wikipedia.org/wiki/Charity_\(practice\)](https://en.wikipedia.org/wiki/Charity_(practice))



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Interest-Free as Faith Based Institution

With reference to interest-free institution, all scriptures of Judaism, Christianity and Islam prohibit usury/interest/riba as it will cause harm to individuals and to society at large. For example in Judaism usury has its roots in several Biblical passages in which the taking of interest is either forbidden, discouraged or scorned⁷.⁸ Similarly in Christianity in both the Old Testament and the New Testament usury is prohibited. With reference to the New Testament it shows that Prophet Jesus Christ (pbuh) not only prohibited interest, but asked

his followers not to take back even the principal of the loan, and to lend not only to friends but even to enemies. Under this prohibition any Christian who dealt in interest was considered as a heretic during the Middle-Ages and was punished by the Church by not allowing his body to be buried among the tombs of Christians.⁹ This type of anti-usury movement continued to gain momentum during the early middle Ages and which reached its zenith in 1311 when Pope Clement V made the ban on usury absolute and declared all secular legislation in its favour, null and void.¹⁰

- 7 Ron Shaham, Christian and Jewish "waqf" in Palestine during the Late Ottoman Period, Bulletin of the School of Oriental and African Studies, University of London, Vol. 54, No. 3 (1991), pp. 460-472, Cambridge University Press. See also Schoem, Randi Carolyn Deguilhem, (1986). "History of Waqf and Case Studies form Damascus in Late Ottoman and French Mandatory Times," Ph.D. diss., Michigan.
- 8 See also Monzer KAHF: http://monzer.kahf.com/papers/english/WAQF_A_QUICK_OVERVIEW.pdf
- 9 History of Usury Prohibition A Short Review of the Historical Critique of Usury Wayne A.M. Visser and Alastair McIntosh Centre for Human Ecology. First published in Accounting, Business & Financial History, 8:2, Routledge, London, July 1998, pp. 175-189 History of Usury Prohibition A Short Review of the Historical Critique of Usury Wayne A.M. Visser and Alastair McIntosh Centre for Human Ecology. First published in Accounting, Business & Financial History, 8:2, Routledge, London, July 1998, pp. 175-189
- 10 Birnie, A. (1958). The History and Ethics of Interest, London: William Hodge & Co.)





PROPOSED MODEL: INCLUSION OF FAITH & FINANCE TO ACHIEVE SDGS VIA ISLAMIC & SOCIAL FINANCE

With reference to Muslims' believes, Islam has been revealed again as the final message from the Creator to remind, guide and comprehend the teaching of Islam through the final messenger Muhammad (pbuh) in the 7th century CE. Being the first message from the Creator to all Ahli Kitab/People of the Book, as mentioned in the following Quranic verses:

Say: "We believe In God, and in what Has been revealed to us And what was revealed To Abraham, Ismā'il; Isaac, Jacob, and the Tribes, And in (the Books) Given to Moses, Jesus, And the Prophets, From their Lord: We make no distinction Between one and another Among them, and to God do we Bow our will (in Islam)." (Al-i-Imran 3:84)

the final message of Islam doesn't only accommodate all faith based financial institutions that promote good activates and prohibit bad activities but organized them in such ways to benefit all mankind in just and equitable manner.

Recently and with the success of Islamic finance in ascertaining its resilience to the current shocks of 2007/2008, it opens the door wider to revive other faith based financial institutions such as zakah and waqf that also have great impact not only in ending all sort of poverty but in empowering the mass and reducing the gap between the rich and the poor. Having said that, the model

below explains how through the inclusion of three faith based financial institutions via Islamic & social finance can achieve the SDGs.

Tzedakah/Tithe/Zakah & SDGs

As mentioned earlier [tzedakah](#)¹¹/tithe¹²/regular charity, which are similar to zakah, are decreed for mankind since the time of Abraham and which were later practiced by all Ahli Kitab/People of the Book as clearly mentioned in the following Quranic verses:

We made them leaders who guide by Our command and We inspired them to work good deeds, to observe the Salat and to give the Zakat, they were worshippers of Us. (Anbiyah 21:73)

God did aforetime Take a Covenant from The Children of Israel, And We appointed twelve Captains among them. And God said: "I am With you: if ye (but) Establish regular Prayers, Practise regular Charity, Believe in My apostles, Honour and assist them, And loan to God A beautiful loan, Verily I will wipe out From you your evils, And admit you to Gardens With rivers flowing beneath; But if any of you, after this, Resisteth faith, he hath truly Wandered from the path Of rectitude." (Al-Maida 5:12)

He said: "I am indeed A servant of God: He hath given me Revelation and made me A prophet; And He hath made me Blessed wheresoever I be, And hath enjoined on me Prayer and Charity as long As I live; (Maryam 19: 30-31)

This encourage Muslims to create recurring charity not only in the form of building worship places only but to cover almost all needs arising in their societies such as providing the basic infrastructure

11 Tzedaka : The word tzedaka derives from the Hebrew word tzedek, "justice." Performing deeds of justice is perhaps the most important obligation Judaism imposes on the Jew. <http://www.jewishvirtuallibrary.org/what-is-tzedakah>
12 Tithe is a tax, a small collection, or a tenth of ones income given to a church <http://www.yourdictionary.com/tithe>

One of the main objective of the SDGs is that, ending poverty must go hand-in-hand with strategies that build economic growth and addresses a range of social needs including education, health, social protection, and creating job opportunities,

Being the final message from the Creator, Islam does not only accepted [tzedakah/tithing](#)/regular charity as compulsory zakah to be paid by the Muslim but organized it in three systematic ways to benefit the whole society. First to be taken from the wealthy people and second to give it to eight zakah recipients and third to manage it in such a way to circulate the wealth from the have to the have not in an equitable manner, rather than being concentrated at the hands of wealthy people, as highlighted in the following al-Quranic verses;

Of their goods (wealth), take alms, that so thou mightest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And Allah is One Who heareth and knoweth. (Surah al-Taubah 9:103)

Zakat is for the poor, and the needy and those who are employed to administer and collect it, and the new converts, and for those who are in bondage, and in debt and service of the cause of Allah, and for the wayfarers, a duty ordained by Allah, and Allah is the All-Knowing, the Wise. (Surah al-Tauba, 9:60)

...In order that it may not (Merely) make a circuit Between the wealthy among you... (al-Hashr 59:7)

Hence, through reviving and including [tzedakah/tithing](#) as regular charity to be taken from the rich and through reviving zakah as a compulsory due to be taken from all eligible Muslims, huge amount of funds will be collected from all the rich people Muslims and Non-Muslims to be distributed on regular bases to the poor and the needy. Including this faith based financial

institution we believe three SDGs will be achieved in terms of ending hunger and ensuring food security for all, reducing inequality and ending all forms of poverty as seen in the Model below.

Recurring Charity/Waqf & SDGs Similarly and according to Islam the first creation of recurring charity/waqf was the building of the first House of the Creator on this earth, currently known as al-Kabah in Makkah, as mentioned in the following Quranic verse;

The first House (of worship) Appointed for men Was that at Bakka: Full of blessing And of guidance For all kinds of beings (Al-i-Imran 3:96)

Recognizing recurring charity/waqf, as one of the faith based financial institutions which was practiced by Ahli Kitab, Islam also encourages all Muslims to create recurring charity from the best they have (to serve their society) as mentioned in the following Quranic verse;

By no means shall ye attain righteousness unless ye give (freely) of that which ye love; and whatever ye give, of a truth God knoweth it well. (Surat al-'Imran, 3:92)

This encourage Muslims to create recurring charity not only in the form of building worship places only but to cover almost all needs arising in their societies such as providing the basic infrastructure in terms of digging wells and providing water and electricity, constructing highways, building houses to shelter the poor and needy, building schools, colleges, universities and dedicating libraries to ensure education for all, building clinics and hospitals to ensure health care for all, building factories and dedicating agriculture lands to ensure sufficient food for all besides opening jobs for the mass.





Hence, through reviving and including the practice of giving charity via creating waqf widely, by Muslim and Non-Muslims, we believe that ten SDGs will be achieved in terms of ensuring health care for all, ensuring education for all, empowering the mass, promoting the well-being for all, providing water and electricity for all, building the basic infrastructure, creating cities and human settlements, promoting sustainable agriculture besides, ensure good and greenery environment as seen in the model.

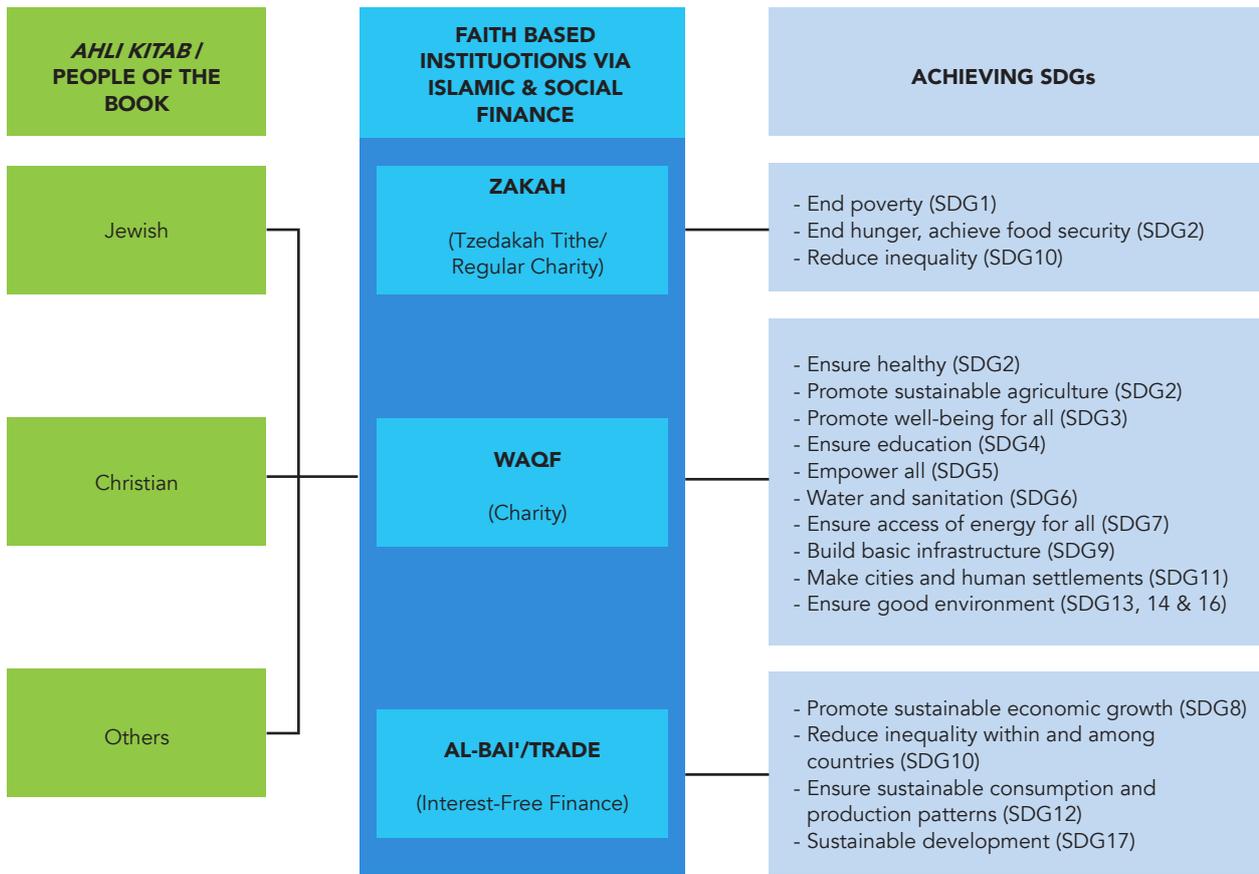
Al-Bai'/Trade & SDGs

With reference to al-bai'/trade, all scriptures such as Judaism, Christianity and Islam prohibit usury/interest/riba as it will cause harm to individuals and to society at large as mentioned above. Being the final message from the Creator, Islam prohibit usury/interest/riba and provide the alternative financial institution of al-bai'/trade as mentioned in the following Quranic verse:

Allah hath permitted trade and forbidden usury
(Surat al-Baqarah 2: 276)

This encourage Muslims to create recurring charity not only in the form of building worship places only but to cover almost all needs arising in their societies such as providing the basic infrastructure

A MODEL: INCLUSION OF FAITH & FINANCE TO ACHIEVE SDGs VIA ISLAMIC & SOCIAL FINANCE



Hence, through reviving and including the practice of giving charity via creating waqf widely, by Muslim and Non-Muslims, we believe that ten SDGs will be achieved in terms of ensuring health care for all

Under this alternative financial institution to usury/interest/riba, Islam adopted many financial products which were practiced by the Judaism and Christianity and have the nature of asset-backed finance, such as mudharabah, murabahah and musharakah that will not only enhance business between buyers and sellers but will spread sharing prosperity for all. Since the nature of Islamic finance is asset-backed this allows a participative securitization process that provides different segments of the society with fair opportunities to share economic prosperity.¹³

Hence, encouraging Muslim and Non-Muslim to avoid dealing with interest via Islamic & social finance, we believe that four SDGs will be achieved in terms of promoting sustainable economic growth, reducing inequality within and among countries, ensuring sustainable consumption and production patterns and ensuring sustainable development as realized in the model below.

CONCLUSION

The principles of Islamic finance is aligns with the faith convictions and SDGs. As such, via the mechanisms of Islamic finance there is scope to structure more models that will assist in eliminating poverty in the world. However, for this is it is imperative for the countries to develop the proposed model further by customizing it to the local circumstance.

¹³ Mirakhor, Abbas & Maghrebi, Nabil, Rish sharing and shared prosperity in Islamic Finance, Islamic economic Studies, Vol.23, No.2, November,2015 p 86.