



MUISEF
İslam Ekonomisi ve
Finansı Enstitüsü

T.C.
MARMARA UNIVERSITY
INSTITUTE OF ISLAMIC ECONOMICS AND FINANCE
DEPARTMENT OF ISLAMIC ECONOMICS AND FINANCE

ISLAMIC GIFT ECONOMY AND ITS MODERN APPLICATIONS IN SOUTHEAST ASIA

Master of Art's Thesis

AZAMAT KABDOLOV

İSTANBUL, 2025

T.C.
MARMARA UNIVERSITY
INSTITUTE OF ISLAMIC ECONOMICS AND FINANCE
DEPARTMENT OF ISLAMIC ECONOMICS AND FINANCE

**ISLAMIC GIFT ECONOMY AND ITS MODERN APPLICATIONS IN SOUTHEAST
ASIA**

Master of Art's Thesis

AZAMAT KABDOLOV

ORCID: 0009-0000-0648-6847

SUPERVISOR: DR. ÖĞR. ÜYESİ HASAN MERAL

ORCID: 0000-0002-2079-0674

İSTANBUL, 2025

ÖZET

Bireycilik, faydacılık ve finansallaşma gibi modern ekonomik anlayışların egemen olduğu bir ortamda, Müslüman toplumlar sosyal ve ekonomik uygulamalarını İslam'ın etik ve hukuki ilkeleriyle uyumlu hale getirme konusunda zorluk yaşamaktadır. Bu tez, söz konusu temel değerlerden uzaklaşan mevcut ekonomik sistemlere karşı, İslami armağan ekonomisini uygulanabilir bir alternatif olarak incelemektedir.

Tez spesifik olarak Güneydoğu Asya'ya odaklanarak, İslami armağan ekonomisinin teorik temellerini ve modern uygulamalarını kapsamaktadır. Vaka çalışması metodolojisi kullanarak, zekat, vakıf ve hibenin modern Malezya ve Endonezya'daki çağdaş girişimleri incelemektedir. Bu çalışmanın merkezinde, İslami etik ve kolektif sorumluluk temelinde armağan temelli sosyo-ekonomik ilişkilerin yeniden canlandırılması için savunuculuk yapan Adi Setia ve diğer akademisyenlerin katkısı yer almaktadır.

Temel bulgular, İslami armağan ekonomisi uygulamalarının toplumsal uyumu ve ekonomik adaleti teşvik ettiğini, eşitsizliğe ve çevresel bozulmaya çözüm üreterek büyüme merkezli modellere sürdürülebilir alternatifler sunduğunu ortaya koymaktadır. Çalışma, bu uygulamaların seküler, küreselleşmiş toplumlardaki potansiyelini ve zorluklarını belirleyerek kültürel, politik ve yapısal engelleri vurgulamaktadır. Dahası, bu tür uygulamaların özellikle uygun politika çerçeveleri, teknolojik yenilik ve eğitim girişimleriyle desteklendiğinde, Müslüman toplumlar içinde uzun vadeli dayanıklılığa, finansal kapsayıcılığa ve manevi tatmine nasıl katkıda bulunabileceğini değerlendirmektedir.

Bu araştırma, klasik İslam iktisat düşüncesini çağdaş uygulama ile birleştirerek literatüre katkıda bulunmakta ve İslami ilkeleri gerçek dünyadaki ekonomik faaliyetlerde uygulamaya çalışan politika yapıcılar, işletmeler ve toplumlar için uygulanabilir öneriler sunmaktadır. Tez, ekonomide etğin ve toplumun rolünü yeniden değerlendirerek, İslami armağan ekonomisini sürdürülebilir ve adil kalkınmaya ilişkin küresel söylem içerisinde dönüştürücü bir model olarak konumlandırmaktadır.

Anahtar Kelimeler: İslami armağan ekonomisi, İslam ekonomisi, Güneydoğu Asya, Vaka Çalışması

ABSTRACT

Under the dominance of modern economic ideologies, such as individualism, utilitarianism, and financialization, Muslim communities face the challenge of aligning their social and economic practices with Islamic ethical and legal principles. This thesis explores the Islamic gift economy as a viable alternative to prevailing economic systems that often move away from these foundational values.

The scope of the thesis encompasses both theoretical underpinnings and modern applications of the Islamic gift economy, with a particular focus on Southeast Asia. Utilizing a case study methodology, it examines contemporary initiatives in countries like Malaysia and Indonesia, where zakat, waqf, and hibah are operationalized within modern economic contexts. Central to this study is the contribution of Adi Setia and other scholars advocating for a revival of gift-based socio-economic relations grounded in Islamic ethics and collective responsibility.

Key findings reveal that Islamic gift economy practices not only foster community cohesion and economic justice but also offer sustainable alternatives to growth-centric models that contribute to inequality and environmental degradation. The study identifies both the potential and challenges of implementing these practices in secular, globalized societies, highlighting cultural, political, and structural barriers. Moreover, it evaluates how such practices can contribute to long-term resilience, financial inclusion, and spiritual fulfillment within Muslim communities, particularly when supported by appropriate policy frameworks, technological innovation, and educational initiatives.

This research contributes to the literature by bridging classical Islamic economic thought with contemporary application, offering actionable recommendations for policymakers, businesses, and communities seeking to implement Islamic principles in real-world economic activity. By reassessing the role of ethics and community in economics, the thesis positions the Islamic gift economy as a transformative model within the global discourse on sustainable and equitable development.

Keywords: Islamic gift economy, Islamic economics, Southeast Asia, Case Study

TABLE OF CONTENTS

ÖZET.....	i
ABSTRACT	ii
TABLE OF CONTENTS.....	iii
ABBREVIATIONS	v
TABLES	vi
FIGURES	vii
INTRODUCTION.....	1
1 MODERN ECONOMICS: PRINCIPLES AND PROBLEMS	4
1.1 Philosophy and Principles of Modern Economics	4
1.1.1 Philosophical Foundations: Rationalism, Individualism and Utilitarianism	4
1.1.2 Key Principles: Growth, Globalization, Free Market and Financialization.....	7
1.1.3 Creation of Money and the Banking System.....	10
1.1.4 Meta-principles of Modern Economics: Link with Physics and Mathematics	12
1.2 Problems and Contradictions of the Modern Economy	16
1.2.1 Banks and Debt Dependency.....	17
1.2.2 Economic and Social Inequality.....	22
1.2.3 Overconsumption and Overproduction.....	25
1.2.4 Digital Economy and Technologies	29
2 THE CONCEPTUAL FRAMEWORK OF ISLAMIC ECONOMY AND ISLAMIC GIFT ECONOMY.....	33
2.1 The Islamic Economic Tradition: Key Thinkers and Foundations.....	33
2.1.1 Islamic Economic Tradition and its Foundations.....	33
2.1.2 Imam Muhammad ibn al-Hasan ash-Shaybani on Earnings.....	35
2.1.3 Al-Dimashqi's Economic Ideas: Community, Money, and Trade Management.....	37
2.1.4 Trade, Commerce and Market in the Time of the Prophet Muhammad.....	39
2.2 Modern Islamic Economy	41
2.2.1 Current State of Islamic Economics and Finance	41
2.2.2 Criticism of Modern Islamic Banking and Finance	42
2.3 Islamic Gift Economy as an Alternative	46
2.3.1 Islamic Gift Economy: Concept, Application, and Benefits.....	46
2.3.2 Reconnecting the Economy and Communities in Islamic Gift Economy	47
2.3.3 Tabarruat and Hibah in the Islamic Gift Economy.....	48
2.3.4 Zakat and Islamic Gift Economy.....	50
2.3.5 Waqf and Islamic Gift Economy	52
2.3.6 Sadaqah and Islamic Gift Economy	56
3 RESEARCH DESIGN AND CASE STUDY ANALYSIS IN THE ISLAMIC GIFT ECONOMY IN SOUTHEAST ASIA	59
3.1 Methodology	59
3.1.1 Research Design	59
3.1.2 Case Selection and Justification	60
3.1.3 Data Collection Methods.....	61

3.1.4	Data Analysis.....	61
3.1.5	Validity.....	61
3.1.6	Limitations.....	62
3.2	Socio-economic Context of Southeast Asia.....	62
3.2.1	Level of Economic Inequality and Poverty in the Region.....	65
3.2.2	Cultural Foundations of the Islamic Gift Economy	66
3.3	Case Study Findings	70
3.3.1	Institutional Mechanisms: Zakat and Waqf in Practice.....	70
3.3.2	Innovation and Technology: Crowdfunding and P2P Models.....	81
3.3.3	Socio-Economic Impact Areas: Food, Housing, and Social Welfare.....	95
3.4	Discussion: Potentials and Challenges.....	101
3.4.1	Social and Cultural Barriers to Implementation.....	101
3.4.2	Political and Economic Aspects: Contradictions with the Global Model.....	103
3.4.3	Prospects for Integrating the Gift Economy into Sustainable Development.....	105
CONCLUSION.....		107
REFERENCES.....		109

ABBREVIATIONS

ACT	Aksi Cepat Tanggap
AI	Artificial Intelligence
AIM	Amanah Ikhtiar Malaysia
BAZNAS	Badan Amil Zakat Nasional
BMT	Baitul Mal wat Tamwil
BWI	Board of Waqf
CBDC	Central Bank Digital Currency
DAO	Decentralized Autonomous Organization
FAO	Food and Agriculture Organization of the United Nations
FATF	Financial Action Task Force
GDP	Gross Domestic Product
IMF	International Monetary Fund
JAKIM	Department of Islamic Affairs
JCorp	Johor Corporation
IGE	Islamic Gift Economy
LZS	Lembaga Zakat Selangor
MAIWP	Majlis Agama Islam Wilayah Persekutuan
OECD	Organisation for Economic Co-operation and Development
P2P	Peer-to-Peer
PPZ	Pusat Pungutan Zakat
PWS	Perbadanan Wakaf Selangor
UII	Universitas Islam Indonesia
USA	United States of America
USD	United States Dollar
ZCD	Zakat Community Development
WANCorp	Waqaf An-Nur Corporation Berhad
YWM	Yayasan Waqaf Malaysia

TABLES

Table 3.1: Key Socio-Economic Indicators of Selected Southeast Asian Countries (2023). ..	64
Table 3.2: Key Indicators of the Islamic Gift Economy in Malaysia and Indonesia (2022, USD).....	67
Table 3.3: Zakat Implementation in Malaysia and Indonesia.	71
Table 3.4: Waqf Implementation in Malaysia and Indonesia.	74
Table 3.5: Zakat and Waqf Institutions in Malaysia and Indonesia: Comparative Table with Financial and Operational Data.....	78
Table 3.6: Islamic Philanthropic Platforms and Crowdfunding in Malaysia and Indonesia....	82
Table 3.7: Social Entrepreneurship Based on Tabarru in Malaysia and Indonesia.....	85
Table 3.8: Peer-to-Peer (P2P) Tabarru Platforms in Malaysia and Indonesia.	89
Table 3.9: Islamic Crowdfunding and P2P Platforms: Comparative Table with Financial and Operational Data	92
Table 3.10: Food and Housing Security in Malaysia and Indonesia.....	95
Table 3.11: Food, Housing, and Welfare Initiatives: Comparative Table with Financial and Operational Data	99

FIGURES

Figure 3.1: Geographical Map of Southeast Asia.	63
--	----



INTRODUCTION

In recent decades, the global economy has increasingly come under scrutiny for its role in deepening inequality, promoting unsustainable consumption, and marginalizing ethical considerations in economic decision-making. The dominant economic paradigm, shaped by individualism, utilitarianism, and the pursuit of perpetual growth often conflicts with Islamic ethical and legal principles. In this context, there is growing interest in alternative economic models that emphasize justice, cooperation, and community well-being. One such model is the Islamic gift economy (IGE), which draws on a rich intellectual and spiritual tradition to propose a values-based approach to economic life.

The research problem addressed in this thesis is the growing disconnect between the economic systems prevalent in many Muslim-majority societies and the ethical-economic framework provided by Islam. Although Islamic finance has expanded considerably, is often criticized for being limited to formalistic Shariah compliance, neglecting the foundational ethical, communal, and redistributive dimensions central to Islamic economic thought. Moreover, despite rising interest in ethical and alternative economic systems, there is limited academic and policy engagement with the Islamic gift economy as a contemporary model. Key challenges include insufficient integration of classical Islamic principles into current socio-economic structures, limited empirical analysis of grassroots applications, and lack of frameworks for scalability beyond local initiatives. These gaps raise critical questions regarding how the IGE can be institutionalized in a modern context and what socio-political conditions are necessary for its success.

The central research questions guiding this study are:

(RQ1) What are the key principles and historical foundations of the IGE?

(RQ2) How is the IGE currently applied in Southeast Asia, particularly in Malaysia and Indonesia?

(RQ3) What are the socio-cultural, political, and economic factors that enable or hinder its development?

This study aims to conceptualize the IGE by identifying its theoretical underpinnings, ethical principles, and historical foundations through both classical and contemporary Islamic scholarship. It investigates how IGE principles are practiced in Southeast Asia, focusing on

Malaysia and Indonesia, through models such as zakat distribution, waqf institutions, hibah-based crowdfunding platforms, and community-led enterprises. The study also evaluates the socio-cultural, political, and institutional conditions that facilitate or hinder the development of the IGE. It draws lessons from the Southeast Asian experience to inform broader strategies for implementing Islamic economic principles in other contexts and integrates classical Islamic concepts with empirical findings to propose ethically grounded frameworks for community-centered economic practice.

This study offers both theoretical and practical significance. It contributes to the literature on Islamic economics by introducing the Islamic gift economy as a distinct and underexplored model. Previous studies on the IGE have largely focused on its theoretical and normative dimensions, often grounded in classical Islamic texts or philosophical arguments. Scholars have explored the ethical basis of altruism in Islam, the jurisprudential foundations of zakat and waqf, and the theological rationale behind voluntary giving. However, existing literature tends to treat the IGE as an abstract or idealized model, with limited attention to its actual operationalization in contemporary socio-economic settings.

What remains underexplored is the application of the Islamic gift economy in practice, particularly how IGE principles are adapted, institutionalized, and scaled in specific regions. There is a notable lack of empirical research or case studies that investigate how Islamic values of gifting, redistribution, and social solidarity are embedded in real-world economic initiatives. This research addresses that gap by applying a qualitative case study approach to Southeast Asia, with a focus on Malaysia and Indonesia. By documenting and analyzing actual IGE-inspired programs, such as zakat agencies, waqf-based development projects, and hibah-driven social enterprises, this study offers grounded, contextual insights that complement and extend existing theoretical literature. It thus contributes a rare empirical dimension to the broader field of Islamic economics and offers practical relevance for scholars, policymakers, and practitioners.

The thesis is structured into three main parts. Part one outlines the philosophical foundations and contradictions of modern economics, emphasizing its tension with Islamic values and the need for alternative models. Part two presents the theoretical basis of the Islamic gift economy, drawing from both classical sources and contemporary interpretations to establish its ethical and operational framework. Part three focuses on the empirical analysis of IGE applications in Southeast Asia, offering contextual insights, case studies, and a critical discussion of

implementation challenges and opportunities. The conclusion synthesizes theoretical and empirical findings, provides policy recommendations, and outlines avenues for future research.



1 MODERN ECONOMICS: PRINCIPLES AND PROBLEMS

1.1 Philosophy and Principles of Modern Economics

1.1.1 Philosophical Foundations: Rationalism, Individualism and Utilitarianism

Economic thought has always been closely linked to philosophical ideas that form its basis and justify certain economic practices. Important philosophical concepts that have had a significant impact on the development of the modern economy are market rationalism, individualism, and utilitarianism.¹ These theories not only determine ways of thinking about the market, but also influence the formation of social and economic policies, business practices, and financial systems.

Market rationalism is a philosophy that argues that the best outcomes for society can be achieved through the free functioning of the market, in which participants make decisions based on their own rational interests.² At the core of this approach is the belief that the market is self-organizing, and if all economic agents act in their own interests, society as a whole will benefit the most. This approach forms the basis for liberal economic theory, where competition and minimal government intervention are key factors in economic growth.³

The philosophical basis of market rationalism goes back to the work of Adam Smith and his concept of the “invisible hand”.⁴ Smith believed that by pursuing their own interests, individuals contribute to the general welfare, and that these interests ultimately lead to a socially beneficial outcome. This idea became the basis for subsequent theories about market self-organization, the role of the free market in ensuring the optimal allocation of resources, and increasing productivity.

Market rationalism also assumes that individuals are capable of making decisions that serve their own interests, and these decisions are processed by the market, which itself finds the most

¹ Daisuke Nakai, Three Dimensions of Classical Utilitarian Economic Thought—Bentham, J.S. Mill, and Sidgwick, NYU Stern School of Business, 2012, https://www.stern.nyu.edu/sites/default/files/assets/documents/Three_Dimensions_Utilitarianism.pdf, (May 8, 2025)

² Collins Dictionary, “Economic Rationalism”, <https://www.collinsdictionary.com/dictionary/english/economic-rationalism>, (May 5, 2025).

³ Andrey Shevchuk, Models of Market Economy: Social Values, Ideologies, Institutions, **National Research University Higher School of Economics**, Phd Thesis, Moscow, 2008.

⁴ Jonathan B. Wight, “The Treatment of Smith’s Invisible Hand,” **Journal of Business Ethics**, Vol.73, No.4 (2007), p.341–352.

efficient solutions. In turn, this entails certain risks associated with market failures, such as monopolies, inequality, social exclusion, which often become the main problems for regulating the modern economy.⁵ On the other hand, individualism as a philosophical foundation is an integral part of market rationalism and a broader approach to economics. Individualism emphasizes the importance of each person's autonomy and ability to make decisions independently based on personal interests and needs.⁶ This philosophy assumes that each person is responsible for his or her own destiny and that individual rights and freedoms are the basis for the functioning of society and the economy.

Individualism, especially in the context of economics, emphasizes the importance of personal freedom in making economic decisions. This philosophy often emphasizes that limiting the rights of the individual can lead to losses for society, since the free market, according to individualists, is the best way to ensure the efficient allocation of resources and stimulate innovation.⁷ From the perspective of modern economics, individualism is closely linked to the capitalist model, where the market is an arena for competition and economic behavior is determined by personal decisions and the pursuit of personal gain. This model promotes economic growth, but at the same time leads to social problems such as inequality and social exclusion.

In the modern world, individualism also stimulates the development of economic phenomena such as entrepreneurship, start-ups and innovative technologies. However, it is also criticized for increasing social inequality and ignoring collective needs, which has become a pressing issue in the context of globalization and crises such as the ecological and economic ones.⁸ Utilitarianism, in turn, is an important philosophical approach that actively influences economic thought. At the core of utilitarianism is the principle of maximizing overall happiness or well-being.⁹ According to this approach, the best decisions for society are those that lead to the greatest amount of happiness or utility for the greatest number of people. This philosophical teaching was developed by Jeremy Bentham and John Stuart Mill, and has had a significant

⁵ Karl Polanyi, **The Great Transformation: The Political and Economic Origins of Our Time**, Boston: Beacon Press, 1944.

⁶ Milton Friedman, **Capitalism and Freedom**, Chicago: University of Chicago Press, 1962.

⁷ Johan Norberg, **The Capitalist Manifesto: Why the Global Free Market Will Save the World**, London: Atlantic Books, 2023.

⁸ Thomas Piketty, **Nature, Culture, and Inequality**, Cambridge: Harvard University Press, 2024.

⁹ Johan Graafland, **Ethics and Economics: An Introduction to Free Markets, Equality and Happiness**, London: Routledge, 2021.

influence on economic theory, especially in the context of evaluating efficiency and the public good.¹⁰

In economics, utilitarianism is used to evaluate various decisions and policies through the prism of their impact on social welfare. The principle of utility maximization underlies many economic models, where the goal is to find the optimal solution for the whole society, even if this is not always beneficial to individuals.¹¹ The issues of wealth redistribution, social justice, and the common good are largely derived from utilitarian philosophy. For example, modern social policy in some countries uses utilitarian principles to determine the most beneficial ways to redistribute wealth, improve quality of life, and combat poverty. However, utilitarianism has also been criticized because its pragmatic approach sometimes ignores the rights of minorities, which can lead to social injustices if decisions are made solely based on the common good.¹²

Today, market rationalism, individualism, and utilitarianism continue to exert significant influence on economic theory and practice. Market rationalism underlies most Western economic systems, which support minimal government intervention in the economy and free competition. Individualism contributes to the strengthening of a capitalist economy, where success is often determined by personal effort and the desire for innovation. Utilitarianism remains the basis for evaluating social programs and government interventions aimed at improving the quality of life and redistributing resources.¹³

However, these philosophical principles do not remain without criticism in modern conditions. Contemporary economic and social problems, such as the ecological crisis, growing inequality and social injustice, show the limitations of market rationalism, individualism and utilitarianism, as well as the need to rethink these approaches in the context of global challenges. Problems related to the concentration of capital, the deterioration of the quality of life for the majority and crises are becoming important turning points in the search for new economic models.¹⁴

¹⁰ Maria S. Sushentsova, "Utilitarianism of J. Bentham and J. S. Mill: From Virtue to Rationality," **Vestnik of Saint Petersburg University Economics**, Vol.33, No.4 (2017), p.570–585.

¹¹ I. Yu. Larionov, "The Potential of Applying Utilitarianism in Business Ethics: The Current State of the Problem," **Discourses of Ethics Almanac**, (2014).

¹² Saad Malook, "Utilitarianism, Social Justice, and the Trolley Problem: An Ethical Theory without Egalitarian Morality," **Journal of Social & Organizational Matters**, Vol.3, No.2 (2024)

¹³ Richard H. Thaler, **Misbehaving: The Making of Behavioral Economics**, New York: W. W. Norton & Company, 2015.

¹⁴ Joseph E. Stiglitz, **Globalization and Its Discontents**, New York: W. W. Norton & Company, 2002.

1.1.2 Key Principles: Growth, Globalization, Free Market and Financialization

Modern economics is based on a number of key principles that shape its philosophy, structure, and practice. These principles include growth, globalization, free markets, and financialization are inextricably linked to the development of economic thought and processes that began with the Industrial Revolution.¹⁵ Each plays a central role in explaining how the global economy functions today, but it also gives rise to significant problems and contradictions.

Economic growth, increasing the production of goods and services over time, is one of the central goals of modern economics. Growth is considered an indicator of a society's well-being because it involves increasing income, rising living standards, and technological advances. The concept of growth is closely associated with the work of 18th- and 19th-century economists including Adam Smith, David Ricardo, and Thomas Malthus, who studied the mechanisms of growth and resource constraints.¹⁶

Over time, economic growth has become a key indicator of the success of economic policy. Gross domestic product (GDP), first proposed in the 1930s, has become the main tool for measuring growth.¹⁷ However, focusing solely on GDP has led to a number of problems. Firstly, it is ignoring quality of life. Economic growth is not always accompanied by improved social conditions, reduced poverty or increased environmental sustainability. Then overuse of resources. Economic growth often requires significant expenditure of natural resources, which leads to environmental crises. Also, growth may be concentrated in the hands of certain sections of society, which exacerbates economic and social inequality.

In the context of neoclassical theory, any use of natural resources (such as deforestation or mining) can be interpreted as contributing to economic growth. These actions increase GDP and are considered income despite environmental damage. This approach ignores the fact that natural resources are finite and their destruction leads to ecological crises in the long term. Thus, economic growth is achieved at the expense of environmental depletion, which is an illusion of progress.¹⁸

¹⁵ University of Geneva (UNIGE), *The Impact of Globalization on the Economic Development of Countries*, 2024, <https://unige.ch/globalization-impact-development>, (May 8, 2025)

¹⁶ Daron Acemoglu and James A. Robinson, **Why Nations Fail: The Origins of Power, Prosperity, and Poverty**, New York: Crown Business, 2012.

¹⁷ Dirk Philipsen, **The Little Big Number: How GDP Came to Rule the World and What to Do About It**, Princeton: Princeton University Press, 2015.

¹⁸ Jason Hickel, **Less is More: How Degrowth Will Save the World**, London: William Heinemann, 2020.

As Eisenstein noted:

“From a rational point of view, it may be more profitable for us to liquidate all natural capital right now – in other words, to cash out the Earth – than to preserve it for future generations....After all, the net present value of a trillion-dollar annual cash flow perpetually is only about twenty trillion dollars (at a 5 percent discount rate). It would be more economically rational to destroy the planet in ten years, generating a hundred trillion dollars in income, than to settle for a steady three trillion dollars a year for eternity.”¹⁹

Nordhaus claimed that “Agriculture, the part of the economy that is sensitive to climate change, accounts for only three percent of national output. This means that it is unlikely to have a significant impact on the U.S. economy”.²⁰ Beckerman expressed similar views, saying, “Even if net agricultural output declined by 50 percent by the end of the next century, that would only reduce GDP by 1.5 percent.”²¹

On the other hand, globalization, the integration of world markets, is another key principle of the modern economy. This process began to develop actively in the second half of the 20th century and was the result of technical progress, liberalization of trade and investment, and the development of international cooperation.²²

Positive aspects of globalization can be summarized as below:²³

- Economic growth: Globalization promotes the expansion of markets, attracting investment and the spread of technology.
- Improving the standard of living: Many countries have been able to improve the economic situation of their citizens by participating in the global economy.
- Cultural exchange: Globalization has facilitated the exchange of ideas, technologies, and cultural values.

However, globalization criticized for causing serious problems as:²⁴

¹⁹ Charles Eisenstein, “Money and the Turning of the Age,” *Reality Sandwich*, http://www.realitysandwich.com/money_and_turning_age, (April 22, 2025)

²⁰ William D. Nordhaus, “To Slow or Not to Slow: The Economics of the Greenhouse Effect,” **The Economic Journal**, V.101, No.407 (1991) p.920–937.

²¹ Wilfred Beckerman, **Small is Stupid: Blowing the Whistle on the Greens**, London: Duckworth, 1995.

²² International Monetary Fund. Globalization: A Brief Overview, May 2008. <https://www.imf.org/en/About/Factsheets/Sheets/2008/Globalization>, (May 8, 2025)

²³ Thomas Friedman, **The World is Flat: A Brief History of the Twenty-First Century**, New York: Farrar, Straus and Giroux, 2005.

²⁴ Stiglitz, *Globalization and Its Discontents*, 2002.

- Uneven distribution of benefits: Developing countries are often at a disadvantage, providing cheap labor and resources while transnational corporations reap the bulk of the profits.
- Dependence on global markets: The economies of many countries become vulnerable to global crises, such as the financial crisis of 2008.
- Deepening environmental crisis: Increased scale of production and transport leads to increased pollution and climate change.

Globalization remains an important factor in the modern economy, but questions are increasingly being raised about the need to regulate it to achieve greater fairness and sustainability.

Financialization is the process by which the financial sector becomes dominant in the economy, and financial transactions play a central role in the allocation of resources. This process has intensified in recent decades as financial markets have become global and their influence has spread to all aspects of the economy.²⁵

Characteristics of financialization:

- Growing role of financial instruments: Modern markets are full of complex financial products, such as derivatives, which affect real sectors of the economy.²⁶
- Focus on short-term profits: Companies and investors are increasingly focused on generating quick profits rather than long-term investments.
- Deepening inequality: Financial markets concentrate wealth in the hands of a few, leading to increased social inequality.²⁷

Financialization has created many new opportunities, including access to capital and the global integration of financial systems. However, it has also led to economic destabilization, as in the crises of 1997 and 2008, when volatility in financial markets brought down the real sectors of the economy.²⁸

Growth, globalization and financialization are closely linked and form the basis of modern economies. Economic growth is driven by globalization, which in turn relies on free markets

²⁵ Gerald A. Epstein, **Financialization and the World Economy**, Cheltenham: Edward Elgar Publishing, 2005.

²⁶ Juraj Sipko, "Impact of Financial Derivatives on the Real Economy", **International Journal of Management Excellence**, Vol.1, No.1, (2014).

²⁷ Thomas Piketty, **Capital in the Twenty-First Century**, Cambridge: Harvard University Press, 2014.

²⁸ Leo Panitch and Sam Gindin, **The Making of Global Capitalism: The Political Economy of American Empire**, London: Verso Books, 2012.

and financialization. However, these close links also create systemic risks, including inequality, environmental problems, and economic instability. To build a sustainable economy for the future, it is important to consider both the positive and negative aspects of these principles, developing models that focus on equitable distribution of wealth, environmental sustainability, and long-term social well-being.

1.1.3 Creation of Money and the Banking System

The history of modern economics and its philosophy are inextricably linked with the processes of money creation, the institution of the banking system and their impact on society. The modern monetary system based on interest rates has had a significant impact on the formation of economic principles, including the growth of debt, inflation and the concentration of wealth. In this context, the issue of the compatibility of these principles with ethical and religious norms, such as Islamic economics, attracts special attention.²⁹

The modern economy began to take shape in the 16th and 17th centuries when the legal use of interest began in Western Europe. This marked the transition from traditional models of saving to the active creation of money. Gold and other assets previously used as money began to be replaced by bank receipts, which eventually acquired the role of de facto currency.³⁰ The goldsmiths played a crucial role, as custodians of the gold, who noticed that most of the receipts were not being presented for redemption. This allowed them to issue more receipts than there was actual gold, creating money “out of nothing.” As Wolf noted, “The essence of the modern monetary system is the creation of money out of nothing by private banks.”³¹ This practice gave rise to the modern banking system and the model of commercial lending.

The modern monetary system is based on three types of money:³²

- Cash (coins and banknotes) issued by the government.
- Central bank reserves that are used by commercial banks.

²⁹ Richard A. Werner, “Can Banks Individually Create Money Out of Nothing? — The Theories and the Empirical Evidence,” **International Review of Financial Analysis**, Vol.36 (2014), p.1–19.

³⁰ David Graeber, **Debt: The First 5000 Years**, New York: Melville House, 2011.

³¹ Martin Wolf, **The Shifts and the Shocks: What We’ve Learned – and Have Still to Learn – from the Financial Crisis**, London: Penguin Books, 2014.

³² Michael McLeay, Amar Radia, and Ryland Thomas, “Money Creation in the Modern Economy,” **Bank of England Quarterly Bulletin**, (2014), p.14-27, <https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy>, (May 8, 2025).

- Commercial bank money is deposits created by banks through the issuance of loans.

The bulk of money (about 97 percent) today exists in the form of commercial bank deposits, created “ex nihilo” (“out of nothing”) through the process of lending.³³ When a bank makes a loan, it creates an asset (the borrower’s liability) and a liability (the deposit in the borrower’s account), which increases the overall money supply. This causes a number of systemic effects, including debt burden, inflation, and rising wealth inequality.³⁴ As King pointed: “When banks lend, they create money by crediting it to their customers’ accounts.”³⁵ However, this entails the need for continued economic growth to ensure that the debts are repaid with interest. The modern economic system based on interest forms the foundation of the financial architecture, including money creation, globalization, and the privatization of public resources. As Jha pointed out in his work “The Destructive Logic of Interest”, the key problem with interest is its unsustainability, linked to the logic of “constant growth”, which leads to crises, the destruction of ecosystems, and the increase of global inequality.³⁶

The legislative fixing of interest in Western Europe in the 16th and 17th centuries radically changed economic processes, making possible the emergence of modern banks and credit systems. Money began to be created as a debt obligation with interest, which laid the foundation for a “permanent deficit.”³⁷ As Eisenstein pointed out: “At any given time, the amount of debt exceeds the amount of money in existence.”³⁸ This imbalance keeps the economy in a state of constant growth. Genoese and German bankers financed colonial expeditions, making the age of imperialism possible.³⁹ Jha linked this practice to “colonialist greed,” which not only destroyed cultures but also increased the global polarization of wealth.

The model of creating money through interest-bearing lending implies that each new monetary obligation automatically increases the debt. This leads to the necessity of endless growth since the cessation of growth will lead to economic collapse. According to Korten, the modern

³³ Michael McLeay, Amar Radia, and Ryland Thomas, *Money Creation in the Modern Economy*, 2007.

³⁴ Ibid.

³⁵ Mervyn King, *The End of Alchemy: Money, Banking and the Future of the Global Economy*, London: Little Brown, 2016.

³⁶ Yusuf Jha, “The Destructive Logic of Interest: The Fallacy of Perpetual Growth, with a Discussion of Reformist Action by Islamic Banks,” *Islam and Civilizational Renewal*, Vol.5, No.3, (2014), p.409–429.

³⁷ Jacques Barzun and Judith Eleanor Herrin, “History of Europe – Banking, Finance, Growth,” *Encyclopedia Britannica*, <https://www.britannica.com/topic/history-of-Europe/Growth-of-banking-and-finance>, (May 8, 2025).

³⁸ Charles Eisenstein, *Sacred Economics: Money, Gift, and Society in the Age of Transition*, Berkeley: Evolver Editions, 2011.

³⁹ Richard Douthwaite, *The Ecology of Money*, Totnes: Green Books, 1999.

economy is “subordinated to the growth of money at the expense of life.”⁴⁰ The logic of interest forces us to turn nature into a commodity and human relationships into paid services. The current system, Jha notes, has produced waves of financial crises, such as the 2008 crash, that illustrate the structural problems with the current model.⁴¹

1.1.4 Meta-principles of Modern Economics: Link with Physics and Mathematics

Modern economic theory, starting from its fundamental principles, often uses meta-principles borrowed from physics and mathematics to formalize and explain economic processes. These principles are considered as universal and objective laws on which to build models, analyze the interaction of agents, and predict the development of economic systems. In turn, this leads to the creation of conceptual and theoretical foundations that determine the direction of economic research and policy making.⁴²

This explains the reductionist approach, which is based on the desire to explain economic phenomena through analogies with natural systems. Despite the obvious limitations of such models used to analyze complex social processes, the meta-principles of economics borrowed from physics and mathematics have long played a key role in economic theory. As the growing problems and contradictions in the global economy show, these meta-principles are not universal enough and are not always adequate to explain and solve real economic problems. They generate simplified models that ignore complex social, psychological and environmental factors. In this chapter, we will try to analyze the main meta-principles of modern economics and their connection with physics and mathematics, as well as identify their shortcomings and potential sources of economic problems will be analyzed.

One of the basic principles borrowed from physics is the concept of equilibrium. In physics, equilibrium means a state in which all forces in a system are balanced and the system does not change its state. Economists transferred this principle to the market, where equilibrium is the point at which supply and demand are balanced and market forces operate in a steady state. Thus, the economy came to be seen as something that can be mathematically described by balances and ratios. In the model of an ideal market, this balance should be achieved at any given time, and the actions of economic agents were reduced to attempts to achieve or maintain

⁴⁰ David Korten, **The Post-Corporate World: Life After Capitalism**, San Francisco: Berrett-Koehler Publishers, 2001.

⁴¹ Jha, *The Destructive Logic of Interest*, 2014.

⁴² Joseph L. McCauley, **Dynamics of Markets: Econophysics and Finance**, Cambridge: Cambridge University Press, 2004.

this equilibrium. However, as critics point out, such models are too abstract and ignore factors related to real life conditions, such as social inequality, moral aspects and environmental issues.⁴³

The mechanistic approach to economics is also manifested in the desire to use mathematical and physical models to explain market processes. These models are built on the basis of equations that predict the behavior of agents under various changes in the market, as if economic agencies were acting as parts of a larger physical system, responding to external changes. This led to the creation of models such as general economic equilibria, in which all variables are related and can be calculated using mathematical methods. The mathematization of economics played a key role in the development of econometrics and other quantitative methods, which allowed for more accurate forecasts and optimized economic decisions.⁴⁴

However, the applied mechanistic model often faces criticism due to its insufficient ability to reflect real processes. This limitation is due to the fact that a person, as an economic agent, does not always act rationally, as most economic models assume. Human behavior depends on many factors, including cultural, social, emotional and psychological elements that are difficult to quantify or integrate into traditional economic models.⁴⁵ In addition, such an approach does not take into account changes in the structures and dynamics of social relations, which, according to some researchers, also play an important role in shaping economic processes. For example, approaches based on the concepts of market equilibrium and utility maximization ignore the role of social factors such as justice, equality, and collective values, which can lead to systemic imbalances in the economy, such as increased inequality and social instability.

Moreover, as Jha (2020) pointed out, the mechanistic interpretation of the economy based on physical laws also has an impact on the environment.⁴⁶ For example, the idea of perpetual growth that underlies the capitalist economy does not take into account the planet's finite resources and ecological limitations, which ultimately leads to an ecological crisis. In this context, the economy as a physical system that strives for constant growth and profit

⁴³ Konstantin K. Kumehev, "Critique of Classical Theories of Macroeconomic Modeling," **Bulletin of MGIMO-University**, No.6, (2013), p.199–207.

⁴⁴ Alfred Galichon, **Optimal Transport Methods in Economics**, Princeton: Princeton University Press, 2016.

⁴⁵ Steve Keen, **Debunking Economics: The Naked Emperor Dethroned?**, London: Zed Books, 2011.

⁴⁶ Yusuf Jha, "Examining the Meta-Principles of Modern Economics and their Implications for Islamic Banking and Finance", **Journal of Islamic Sciences**, Vol.11, No.2 (2020).

maximization harms not only people but also the environment, which threatens the future of not only human societies but also the entire planet.⁴⁷

An important aspect that becomes apparent when considering the economy as a physical system is the limitations of mathematical models in explaining human relationships and economic interactions. While physical systems can be effectively modeled using formulas and equations, economics as a social science requires taking into account human feelings, actions, and motivations that are not always amenable to quantitative analysis. Existing models borrowed from physics ignore these human factors, thereby limiting the accuracy of predictions and the usefulness of such models for real economic practice.⁴⁸

There is also another important problem associated with the transfer of physical principles to economics. This is the ignoring of uncertainty and the dynamics of change. In physics, many systems can be considered stable if they are in equilibrium. In economics, the situation is completely different - economic processes are changeable and unpredictable, which makes the use of static models extremely limited.⁴⁹ Unlike physics, where many processes can be described through deterministic equations, economics faces problems such as uncertainty, instability and unevenness of change, which requires a much more flexible and comprehensive approach.

Thus, the attempt to view the economy through the prism of physics and mathematics has led to the creation of models that, despite their elegance and mathematical precision, are unable to adequately reflect the complexity of real economic processes. This limitation becomes obvious when we are faced with serious social and environmental problems such as inequality, climate change, and financial system crises. The problems caused by an excessive desire for optimization and maximization, as well as ignoring social and environmental consequences, are becoming increasingly obvious in the context of globalization and the increasing interdependence of world economies.

The mathematization of economics is an important part of modern economic thinking, associated with the attempt to transform economic processes into a set of numerical data and formalized relationships. This allows the creation of models that can be used for forecasting and analysis, but they are sometimes limited in terms of the real complexity of economic

⁴⁷ Eisenstein, *Money and the Turning of the Age*, 2009.

⁴⁸ Sam Wilks, "The Limitations of Mathematical Modeling in Economics and the Advantages of Praxeological Analysis," **Sam Wilks Blog**, <https://samwilks.com/limitations-of-mathematical-modeling>, (May 8, 2025)

⁴⁹ Nassim Nicholas Taleb, **The Black Swan: The Impact of the Highly Improbable**, New York: Random House, 2007.

phenomena. As noted by Keynes in his work *The General Theory of Employment, Interest and Money* (1936), economic theory cannot and should not be reduced to simple mathematical formulas, as the real economy includes many non-numerical factors, such as social norms and human motivations. Keynes was categorical in his criticism of excessive reliance on mathematical models, arguing that “mathematics alone cannot be a sufficient basis for economic decisions, since it does not take into account many social and moral aspects.”⁵⁰

However, other scholars, such as Solow and Samuelson, actively developed mathematical approaches to economics, arguing that it is mathematical models that allow us to find objective solutions to complex economic problems. In his work *Economics* (1948), Samuelson wrote: mathematics is the language that enables us to formulate economic hypotheses clearly and distinctly and to analyze their logical consequences.⁵¹ On the other hand, a modern critical view of the mathematization of economics raises an important question: to what extent do these models correspond to reality? One example is the general equilibrium models, often used to analyze market processes. Despite their attractiveness from the point of view of internal logic, these models often proceed from the assumptions of the rationality of all economic agents and complete information, which does not always correspond to real economic practice.⁵² For example, Kahneman, in his work “Thinking, Fast and Slow” (2011) emphasized that economic agents in practice do not always act rationally, but often make decisions based on intuition and emotions, which cannot be taken into account in strict mathematical models.⁵³

Nevertheless, research in financial theory, such as the work of Merton, has shown that mathematical models can be used to effectively manage risks, analyze financial flows, and predict market behavior.⁵⁴ However, important limitations of these models should be taken into account. Mathematical models often ignore important aspects such as inequality, injustice, and environmental impacts. Attempting to model human needs solely through algorithms and numbers deprives the economy of essential social components, leading to deeper economic and environmental crises.⁵⁵

⁵⁰ John Maynard Keynes, *The General Theory of Employment, Interest, and Money*, London: Macmillan, 1936.

⁵¹ Paul A. Samuelson, *Economics: An Introductory Analysis*, New York: McGraw-Hill, 1948.

⁵² George-Marios Angeletos and Chen Lian, *Dampening General Equilibrium: Incomplete Information and Bounded Rationality*, Cambridge: Academic Press, 2022, p.613-645.

⁵³ Daniel Kahneman, *Thinking, Fast and Slow*, New York: Farrar, Straus and Giroux, 2011.

⁵⁴ Robert C. Merton, “On the Pricing of Corporate Debt: The Risk Structure of Interest Rates,” *Journal of Finance*, Vol.29, No.2 (1974), p.449–470.

⁵⁵ Erica Thompson, *Escape from Model Land: How Mathematical Models Can Lead Us Astray and What We Can Do About It*, New York: Basic Books, 2022.

These limitations of mathematical models become especially evident in the context of global economic problems such as crises, poverty, inequality and environmental degradation. One of the main problems is that mathematical models often focus on short-term benefits and ignore long-term consequences such as social justice and sustainability.⁵⁶ For example, the optimization theory used in econometrics aims to minimize costs or maximize profits but does not take into account the social and environmental costs that may arise as a result of such optimization. It is important to note that modern economics often focuses on quantitative data and forecasts, neglecting the human factor, which sometimes leads to an unjustified distribution of resources.

Thus, despite numerous achievements in the field of economic mathematization, there is a need to review these methods and their application for a more comprehensive approach. Mathematics and statistics should serve only as a tool for deeper analysis, and not as a substitute for a real understanding of economic processes in which social and moral values play a key role.

1.2 Problems and Contradictions of the Modern Economy

The modern economy, despite significant progress in creating global infrastructure and raising living standards in some regions, faces deep structural contradictions. These problems are systemic in nature, affect key aspects of the socio-economic structure and are often exacerbated by the actions of economic institutions themselves.⁵⁷ This chapter focuses on the most pressing challenges to the modern economic system that threaten its sustainability and fairness. These include economic inequality, labor exploitation, consumer extremism, a crisis of values, and growing dependence on technology. These issues not only undermine social harmony but also call into question the very model of a market economy based on the ideals of growth, free markets, and globalization.

The chapter aims to deconstruct the problematic architecture of the modern economy, with a particular focus on the systemic factors that generate inequality and the consequences this system has for humanity and the planet. It also discusses the consequences of financialization, the dominance of large corporations, and digital transformation. The goal is to identify the sources of crises, show their interrelationships, and lay the foundation for finding alternative solutions. The following sections will examine the nature of economic inequality, how it is

⁵⁶ Ibid.

⁵⁷ Samir Amin, **The Law of Worldwide Value**, New York: Monthly Review Press, 2010.

reinforced through financial institutions, and the implications for society. The impact of corporate interests, the destructive tendencies of overconsumption, and the environmental costs will also be discussed. The analysis concludes with a consideration of new challenges of the digital economy, including algorithmic discrimination and data monopolization.

1.2.1 Banks and Debt Dependency

The banking system has historically evolved as a mechanism to facilitate the accumulation and distribution of capital.⁵⁸ However, with the growth of globalization and the increasing influence of financial institutions, banks have transformed from instruments of economic development into monopolists of economic power.⁵⁹ The main criticism of the modern banking sector is its systemic focus on debt dependence. Banks, acting as intermediaries between depositors and borrowers, create loans out of nothing through the mechanism of fractional reserves, which greatly increases their influence on the economy.⁶⁰

Modern banks actively use loans as the main tool for making profits. Often loans are offered with aggressive advertising, encouraging people to borrow unjustifiably. This creates a debt culture, when households plunge into a debt hole, having no real ability to repay loans.⁶¹ This is particularly acute in low- and middle-income countries, where lenders aggressively offer microloans, often leading to cycles of perpetual debt. For example, research by the World Bank shows that 75 percent of the poorest households in developing countries rely on borrowed money to cover basic needs.⁶²

Even those who do not use banking services suffer from their activities. Banks, by lending to corporations, create market imbalances, where capital is directed to areas with high profitability but low social significance. As a result, this leads to an increase in the prices of housing, medical services and education, making them inaccessible to a significant part of the population.⁶³

⁵⁸Michael Hudson, **Killing the Host: How Financial Parasites and Debt Bondage Destroy the Global Economy**, Petrolia CA: CounterPunch Books, 2015.

⁵⁹Dani Rodrik, **The Globalization Paradox: Democracy and the Future of the World Economy**, New York: W. W. Norton & Company, 2011.

⁶⁰Graeber, **Debt: The First 5000 Years**, 2011.

⁶¹International Monetary Fund (IMF), **Fast-Growing \$2 Trillion Private Credit Market Warrants Closer Watch**, 2024, <https://www.imf.org/en/Blogs/Articles/2024/04/08/fast-growing-private-credit-market>, (May 8, 2025)

⁶²World Bank, **The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19**, Washington: World Bank Publications, 2022.

⁶³Atif Mian and Amir Sufi, **House of Debt: How They (and You) Caused the Great Recession, and How We Can Prevent It from Happening Again**, Chicago: University of Chicago Press, 2014.

A classic example of debt addiction is the 2008 mortgage crisis. Millions of people in the US lost their homes, and banks received government bailouts to cover their losses. This demonstrated that the interests of banks are often put above the interests of society. Graeber noted that a debt economy creates inequality because lenders profit from the labor of borrowers without putting real resources into the economy.⁶⁴

Financialization is the process by which the financial sector becomes the dominant force in the economy, influencing decision-making in corporations, governments, and households.⁶⁵ This process leads to a shift in priorities: companies begin to focus not on long-term development and production, but on short-term financial gains. Financial instruments - stocks, bonds, derivatives - replace real economic activity, which leads to a gap between the financial sector and the real economy.

One significant negative consequence of financialization is the distortion of resource allocation. Instead of directing capital toward innovation and sustainability, many companies prioritize share buybacks and dividend payments. This practice redirects funds away from productive investments that could drive long-term economic growth. For example, in 2018, US corporations spent more than USD 800 billion on share buybacks, an amount that exceeded their total investment in research and development. This trend reflects a shift in corporate priorities, where short-term stock price gains take precedence over long-term economic progress and competitiveness.⁶⁶

Another major concern is the increasing economic vulnerability that financialization creates. As financial assets become the foundation of wealth for millions of people, fluctuations in financial markets can have widespread consequences.⁶⁷ Economic crises, such as the 2008 financial crash, illustrate how sharp declines in financial asset prices lead to mass job losses and economic hardship. When markets collapse, businesses reduce investments and cut jobs, resulting in widespread instability. The overreliance on financial markets as a source of wealth exacerbates systemic risks, making economies more susceptible to downturns and crises.

⁶⁴ Graeber, *Debt: The First 5000 Years*, 2011.

⁶⁵ Epstein, *Financialization and the World Economy*, 2005.

⁶⁶ Chuck Jones, "2018 Share Buybacks Could Exceed \$800 Billion, Driven by Overseas Cash," *Forbes*, March 16, 2018, <https://www.forbes.com/sites/chuckjones/2018/03/16/2018-share-buybacks-could-exceed-800-billion-driven-by-overseas-cash> (May 8, 2025)

⁶⁷ Céline Gimet, Thomas Lagoarde-Segot, and Luis Reyes Ortiz, "Financialization and the Macroeconomy: Theory and Empirical Evidence," *Economic Modelling*, Vol.81 (2019), p.631–648

Financialization also contributes to rising inequality. The concentration of financial income among capital owners widens the gap between the rich and the poor. Economist Thomas Piketty's research demonstrates that wealth concentration in the top 1 percent of the population is closely linked to the dominance of the financial sector. Piketty argues that when the return on capital exceeds the rate of economic growth, wealth accumulates more quickly than the economy expands, leading to deepening inequality.⁶⁸ His historical analysis shows that significant reductions in inequality have been rare and mostly associated with large-scale wars or economic crises. In recent decades, there has been a return to what he terms "hereditary capitalism," in which control of wealth remains concentrated in the hands of a small elite, further entrenching economic disparities.

The indebtedness of the population and states is one of the central problems of the modern economy. According to the International Monetary Fund (IMF), the global debt burden, including public and private debt, reached USD 250 trillion in 2023, which is more than 237 percent of global GDP.⁶⁹ This trend affects both developed and developing economies. One of the main reasons for high indebtedness is the low interest rate policy pursued by central banks, especially in the aftermath of the 2008 global financial crisis. To stimulate economic growth, central banks significantly reduced interest rates, making credit more accessible. While this policy helped sustain economic activity, it also contributed to a sharp increase in debt burdens. Cheap credit encouraged both businesses and individuals to take on more debt than they otherwise would have, leading to long-term financial vulnerabilities.⁷⁰

Another key factor driving high indebtedness is consumer culture. Modern economic models emphasize continuous consumption, encouraging individuals to borrow money to maintain their standard of living. Households frequently take on debt to purchase homes, cars, and consumer goods, often stretching their financial capacity. For example, in the United States, total household debt exceeded USD 18 trillion in 2024, with more than 70 percent of that debt coming from mortgages. This reliance on credit to sustain consumption patterns contributes to long-term financial strain, making households more susceptible to economic downturns.⁷¹

⁶⁸Piketty, *Capital in the Twenty-First Century*, 2014.

⁶⁹International Monetary Fund, Global Debt Database, 2024, <https://www.imf.org/en/Data/global-debt-database>, (May 8, 2025)

⁷⁰Ben S. Bernanke, *The Federal Reserve and the Financial Crisis*, Princeton: Princeton University Press, 2013.

⁷¹ Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit, Federal Reserve Bank of New York, 2024, <https://www.newyorkfed.org/microeconomics/hhdc> (May 8, 2025)

Additionally, banks' aggressive credit expansion has fueled rising debt levels. Financial institutions actively promote a wide range of credit products, from consumer loans to high-interest credit cards, making borrowing easier than ever. This leads to a vicious cycle in which borrowers take out new loans to pay off existing debts, further increasing their financial burden. As debt accumulates, individuals and businesses find themselves trapped in a cycle of repayment, with mounting interest obligations limiting their financial flexibility and increasing overall economic risk.⁷²

One of the most serious consequences of over-indebtedness is financial instability. When debt levels become unsustainable, the risk of defaults rises, which can trigger banking crises and economic downturns. A clear example of this occurred in Greece in 2010 when excessive government debt led to a severe debt crisis. The crisis not only plunged Greece into a prolonged recession but also threatened the stability of the entire eurozone, forcing international financial institutions to intervene with bailout programs. Such situations demonstrate how high debt burdens can destabilize financial systems and lead to widespread economic distress.⁷³

Another major consequence is the worsening quality of life for individuals and households. Heavy reliance on debt means that a significant portion of income is allocated to debt repayment, leaving less money available for essential expenses, savings, and long-term investments in education and health. In 2024, total student loan debt in the United States exceeded USD 1.7 trillion, placing immense financial pressure on younger generations. The burden of debt limits their ability to invest in housing, career development, and entrepreneurship, restricting social mobility and economic opportunities. Over time, this financial strain contributes to increased stress and reduced overall well-being.⁷⁴

Over-indebtedness also has broader macroeconomic effects, including slowing economic growth. Research indicates that when debt levels become excessively high, they begin to hinder economic expansion. IMF has noted that when government debt surpasses 90 percent of GDP, it starts to have a negative impact on investment and innovation. High debt levels reduce the ability of governments and businesses to allocate resources toward productive activities, leading

⁷² Atif Mian, Amir Sufi, and Emil Verner, Household Debt and Business Cycles Worldwide, International Monetary Fund, 2017, <https://www.imf.org/en/Publications/WP/Issues/2017/03/17/Household-Debt-and-Business-Cycles-Worldwide-44791>, (May 8, 2025)

⁷³ Investopedia, The Origins of Greece's Debt Crisis, 2015, <https://www.investopedia.com/articles/investing/102215/origins-greeces-debt-crisis.asp>, (May 8, 2025)

⁷⁴ Education Data Initiative, Student Loan Debt Statistics, 2025, <https://educationdata.org/student-loan-debt-statistics>, (May 8, 2025)

to sluggish economic performance. As debt servicing costs rise, funds that could be used for infrastructure, technological advancements, and social programs are instead directed toward repaying past obligations, further dampening economic progress.⁷⁵

High debt levels also exacerbate economic inequality. Rich borrowers with assets have access to better credit terms, while poorer people are forced to pay high rates. This contributes to a widening income gap. The modern economy actively encourages debt consumption, creating a culture in which credit is perceived as a natural tool for satisfying basic and super-needs. This is reinforced by advertising of financial products, regulatory policies, and availability of credit resources.

Banks and financial institutions invest billions of dollars in promoting credit products, making borrowing seem attractive and accessible. Credit card advertising, for example, highlights benefits such as “deferred payments” and “cash back,” while downplaying the true cost of credit in the form of high interest rates and hidden fees. This aggressive marketing strategy encourages consumers to take on more debt without fully understanding the long-term financial implications. As a result, many individuals accumulate significant debt burdens, often struggling to manage repayments as interest costs compound over time.⁷⁶

Advancements in modern technology have made it easier than ever for banks to assess borrowers’ creditworthiness and approve loans online within minutes. While this streamlines access to credit, it also lowers the barriers to borrowing, increasing the share of high-risk loans in the financial system. Many consumers, enticed by the simplicity and speed of loan approvals, take on more debt than they can reasonably afford. This widespread access to credit, combined with minimal financial education, contributes to rising debt levels and greater financial instability.⁷⁷

The media and advertising industry play a key role in normalizing debt-financed consumption. Through targeted marketing and cultural messaging, people are encouraged to purchase goods and services on credit, often beyond their means. In many societies, buying a car, a smartphone,

⁷⁵ Carmen M. Reinhart and Kenneth S. Rogoff, “Growth in a Time of Debt,” **American Economic Review: Papers & Proceedings**, Vol.100, No.2 (2010), p.573–578.

⁷⁶ Consumer Financial Protection Bureau (CFPB), The Consumer Credit Card Market, 2021, <https://www.consumerfinance.gov/data-research/research-reports/consumer-credit-card-market-report-2021/>, (May 8, 2025)

⁷⁷ Sahini Dyapa, “Transforming Credit Risk Assessment: The AI Revolution in Banking,” *TechBullion*, April 12, 2025, <https://techbullion.com/transforming-credit-risk-assessment-the-ai-revolution-in-banking/>, (May 8, 2025)

or even everyday items “in installments” has become the standard, even in low-income countries. This shift in consumer behavior fosters a dependence on credit, reinforcing the cycle of borrowing and repayment that can lead to long-term financial insecurity.⁷⁸

One of the most concerning consequences of easy access to credit is the debt trap, where borrowers continually refinance existing loans to manage repayments, only to accumulate even greater debt burdens over time. Banks and financial institutions actively promote refinancing and debt consolidation as solutions, but in reality, these strategies often extend repayment periods and increase overall interest costs. Schumpeter have noted that debt expansion plays a crucial role in the capitalist economy, fueling growth and investment. However, they also warn that excessive debt accumulation leads to cyclical crises, as financial bubbles eventually burst, triggering widespread economic downturns.⁷⁹

Debt dependence makes households highly vulnerable to economic shocks. For example, the COVID-19 pandemic has exacerbated insolvency, especially among middle- and low-income groups.⁸⁰ Also, richer borrowers can use loans to buy assets such as real estate or shares, increasing their wealth. Meanwhile, poorer people are forced to borrow for current expenses, further worsening their financial situation. Artificially incentivizing debt consumption is, according to researchers like Chomsky, a tool of control.⁸¹ People in debt are deprived of freedom of choice and are forced to work more to pay off their obligations. This limits their social mobility and their ability to engage in creative or socially useful projects.

1.2.2 Economic and Social Inequality

The modern economy contributes to the concentration of a significant share of resources in the hands of a small number of people, leading to deepening social and economic inequality. According to Oxfam, the richest 1 percent of people own almost half of all global assets, while

⁷⁸ Mallika Tewari, Alok Upadhyay, and Ashish Pant, “The Impact of Media on Consumer Behavior: An Examination of the Role of Cinema, Newspaper, Theater, Internet, and Television,” in **Paradigm Shift in Business**, 195–217, Cham: Springer, 2023.

⁷⁹ Derya Guler Aydin, “Schumpeterian Business Cycles: Innovations, Bubbles and Global Crises”, **International Journal of Humanities and Social Science**, Vol.2, No.7 (2012), p.128.

⁸⁰ World Bank, **World Development Report 2022: Finance for an Equitable Recovery**, Washington: World Bank, 2022.

⁸¹ Maria Luisa Mendonça, Debt, Drugs and Democracy: An Interview with Noam Chomsky, NACLA Report on the Americas, 1999, <https://nacla.org/debt-drugs-and-democracy-interview-noam-chomsky>, (May 8, 2025)

the poorest half of humanity shares only 2 percent.⁸² This imbalance has serious economic and social consequences, becoming a subject of academic debate. Many researchers view wealth concentration as a result of the structural features of the capitalist economy. Key perspectives include the Marxist approach, represented by Marx and Piketty, which argues that wealth concentration is a consequence of the capitalist system where the means of production are controlled by a few, leaving workers with only a fraction of the value they create. In “Capital in the Twenty-First Century” (2013), Piketty demonstrates that the rate of return on capital exceeds economic growth rates, leading to wealth accumulation by the elite.⁸³ The neoliberal approach, supported by Friedman and Hayek, asserts that wealth concentration is a natural outcome of market mechanisms that promote innovation and economic growth, though critics highlight that without proper regulation, inequality can spiral out of control.⁸⁴

The institutional approach, advanced by Acemoglu and Robinson in “Why Nations Fail” (2012), emphasizes the role of political and economic institutions in either fostering inclusive development or entrenching power and resources within the elite. Wealth concentration affects various aspects of society. Stiglitz argues that it leads to economic slowdown, as a significant portion of resources remains in the reserves of the wealthy rather than being reinvested into the economy, limiting consumer demand and innovation. Rising inequality can increase social tensions and political instability, as research indicates a correlation between high economic disparity and declining trust in state institutions, as well as the emergence of protest movements. Moreover, the wealthy gain disproportionate political influence, allowing them to shape legislation in ways that preserve their privileges, creating a cycle in which economic elites manipulate the political system for their own benefit.

As an example in the USA, incomes for the top 10 percent have grown 200 percent over the past 40 years, while real wages for the working class have remained virtually unchanged.⁸⁵ In developing countries, resources are often concentrated in the hands of elites, resulting in delays in infrastructural and social development.⁸⁶ Modern economic systems promote poverty not

⁸² Oxfam, Survival of the Richest: How We Must Tax the Super-Rich Now to Fight Inequality, 2023, <https://policy-practice.oxfam.org/resources/survival-of-the-richest-how-we-must-tax-the-super-rich-now-to-fight-inequality-621477/>, (May 8, 2025)

⁸³ Piketty, Capital in the Twenty-First Century 2014.

⁸⁴ Jeremy Adelman, “The Two Faces of Neoliberalism,” *Project Syndicate*, September 2023, <https://www.project-syndicate.org/commentary/two-faces-of-neoliberalism-by-jeremy-adelman-2023-09>, (May 8, 2025)

⁸⁵ Lucas Chancel, Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, World Inequality Report 2022, World Inequality Lab, 2022. <https://wir2022.wid.world> (May 8, 2025)

⁸⁶ Pranab Bardhan and Dilip Mookherjee, “Decentralisation and Accountability in Infrastructure Delivery in Developing Countries,” *The Economic Journal*, Vol.116, No.508 (2006), p.101–127.

only as a side effect of ineffective policies or structural failures, but also as a result of deliberate, systemic processes that reinforce social inequality. In this context, poverty becomes not just a personal tragedy, but an instrument of power used to maintain the economic and political privileges of elites.

Many developing countries find themselves in a debt trap, where most of their economic potential is spent on servicing external debt.⁸⁷ This debt dependence limits the country's ability to invest in social services, infrastructure, or economic growth. An example is Africa, where the external debt of the region's countries continues to grow despite efforts by international organizations such as the IMF and the World Bank to restructure it. In 2022, African countries' debts amounted to more than USD 600 billion, which is about twice their GDP.⁸⁸ These debts complicate the processes of structural reforms aimed at reducing poverty.

International trade agreements often make it difficult for poor countries to access profitable markets, limit opportunities to develop their own industries, and encourage the export of cheap raw materials. This creates a trade imbalance, with developing countries selling mostly unprocessed goods, while developed countries profit from processing and selling finished products. This approach perpetuates poverty in these countries by limiting access to modern technology and production capacity. An example is the situation with agricultural supplies from African countries, where local farmers face stiff competition from highly subsidized producers from developed countries. Local producers are often unable to compete with the prices of imported goods, leading to the closure of many farms and exacerbating rural poverty.⁸⁹

One of the main reasons why poverty becomes manageable is the limited capacity for capital investment. Countries with high external debts often cannot afford to allocate significant resources to education, health care or infrastructure.⁹⁰ This creates a vicious circle: poverty hinders economic growth, and the lack of growth only exacerbates poverty. Economic inequality resulting from debt bondage and unequal trade relations leads to social instability. Countries with high levels of poverty often become the scene of social conflict, rebellion and political instability. For example, Latin American countries such as Venezuela have seen mass

⁸⁷United Nations Conference on Trade and Development (UNCTAD), *Debt Vulnerabilities in Developing Countries: A New Debt Trap?*, 2017, https://unctad.org/system/files/official-document/gdsmdp2017d4v2_en.pdf, (May 8, 2025)

⁸⁸International Monetary Fund, *Regional Economic Outlook for Sub-Saharan Africa*, 2022, <https://www.imf.org/en/Publications/REO/SSA>, (May 8, 2025)

⁸⁹Food and Agriculture Organization (FAO), *World Agriculture: Towards 2015/2030 – An FAO Perspective*, 2003, <https://www.fao.org/documents/card/en/c/6d8a3d53-4aa4-5b89-894d-5932e540bf7e/>, (May 8, 2025)

⁹⁰ World Bank, *International Debt Report 2023*, 2023, <http://hdl.handle.net/10986/40670>, (May 8, 2025)

protests due to rising prices and falling living standards.⁹¹ Poverty contributes to social tensions, while economic pressures continue to oppress large sections of the population.

Bangladesh is a shining example of how poverty can be managed. The country is one of the world's largest textile producers, but its workforce is paid extremely low wages and has less than ideal working conditions. Workers, especially women, are often forced to work in conditions that lead to loss of health and life. This phenomenon can be attributed to the structure of "managed poverty," where companies that use cheap labor profit from the exploitation of the poor, providing them with minimal opportunities for social advancement.

Multinational corporations operating in countries like Bangladesh continue to make super profits by keeping wages down and providing no social security for workers.⁹² These forces workers to work in conditions that do not allow them to escape poverty, and the economic situation remains in their hands as a means of management and control. Managed poverty and systemic oppression are thus integral components of modern economies. These processes affect all aspects of life in poor countries and their citizens, limiting their opportunities for development, education, and betterment. In turn, international economic practices such as debt dependency and unequal trade relations serve as key instruments for maintaining this poverty.

1.2.3 Overconsumption and Overproduction

Another big issue is the overconsumption and overproduction, they are not only a consequence of economic processes, but also the result of cultural and social changes supported by the global capitalist system. As a result of the mass production of goods that are created not to meet real needs, but to stimulate economic activity, there is a constant increase in production volumes, which leads to a global glut of markets. In 2022, the volume of global production of consumer goods, including electronics and clothing, exceeded USD 25 trillion, which is an indicator of excess production that exceeds the real needs of the population.⁹³

One of the key reasons is the financialization of the economy, which stimulates accelerated growth of consumption. In practice, financial institutions and corporations introduce

⁹¹ Amnesty International, Amnesty International Report 2022/23 – Venezuela, 2023, <https://www.amnesty.org/en/documents/amr53/6594/2023/en/>, (May 8, 2025)

⁹² International Labour Organization, Employment, Wages and Productivity in the Asian Garment Sector: Taking Stock of Recent Trends, 2022, <https://www.ilo.org/publications/employment-wages-and-productivity-asian-garment-sector-taking-stock-recent>, (May 8, 2025)

⁹³ Statista, Consumer Electronics – Worldwide | Statista Market Forecast, <https://www.statista.com/outlook/cmo/electronics/worldwide>, (April 4, 2025).

innovations in advertising and marketing, creating artificial needs. Thus, the advertising industry uses psychological methods of influencing the consumer, which leads to unconscious purchasing decisions, but under the pressure of external factors. In addition, the increase in income levels in developed countries contributes to the fact that people begin to buy more goods, creating artificial demand.⁹⁴

The need to produce more and more goods leads to the depletion of natural resources and large-scale environmental pollution. The problem of waste is especially acute in developed countries. According to the Organisation for Economic Co-operation and Development (OECD) report, 91 percent of plastic produced in recent years has not been recycled, which leads to pollution of the oceans and soil. ⁹⁵An example is the fashion industry, which produces more than 100 billion pieces of clothing every year.⁹⁶ Only 20 percent of these goods are recycled, while 80 percent end up in landfills. The destruction of ecosystems, deforestation and the destruction of natural resources are also a result of overconsumption. This leads to the disappearance of biodiversity, which intensifies the crisis facing the planet.

Excessive consumption also has destructive social consequences. People begin to strive for status and social significance through the consumption of goods, which leads to an increase in social tension and inequality. Psychologists note that the desire for material goods often becomes the main source of stress and anxiety. Collinson point out that excessive consumption suppresses social relations, turning them into a race for goods and status.⁹⁷ In turn, this leads to a decrease in the quality of life, since time and money are spent not on personal development, but on the accumulation of material values.

The modern economy, focused on “fast consumption”, is developing on the principle of “consume or die”, which leads to an increase in the debt burden among households.⁹⁸ Shiller emphasize that low interest rates, active stimulation of consumption and credit expansion of banks create a situation where borrowers find themselves in a debt trap.⁹⁹ The growth of debt, in turn, leads to a slowdown in economic growth, since a significant part of income is directed to servicing debts. In turn, this exacerbates the problems of economic inequality, since rich

⁹⁴ William Davies, **The Happiness Industry: How the Government and Big Business Sold Us Well-Being**, London: Verso Books, 2015.

⁹⁵ Organisation for Economic Co-operation and Development (OECD), **Global Plastics Outlook: Economic Drivers, Environmental Impacts and Policy Options**, Paris: OECD Publishing, 2022.

⁹⁶ FashionUnited, Global Fashion Industry Statistics, <https://fashionunited.com/global-fashion-industry-statistics>, (April 23, 2025).

⁹⁷ Jean Baudrillard, **The Consumer Society: Myths and Structures**, London: Sage Publications, 1998.

⁹⁸ OECD. Has the Rise in Debt Made Households More Vulnerable?, 2021.

⁹⁹ Robert Shiller, **Irrational Exuberance**, Princeton: Princeton University Press, 2016.

people, having assets, can use loans on more favorable terms, while the poor strata of the population face high interest rates.

Overconsumption and overproduction are becoming not only economic, but also cultural problems. The desire to accumulate material goods and continue the consumer race leads to the degradation of human values and the strengthening of social inequality. For sustainable development, it is necessary to rethink economic models and focus on models that take into account the real needs of society and do not create excess demand for goods that do not meet environmental or social standards.¹⁰⁰

The current model of economic development has led to a significant destruction of traditional forms of agriculture. According to the Food and Agriculture Organization of the United Nations (FAO), since 1970, the area of arable land has decreased by 33 percent due to urbanization, soil erosion and climate change.¹⁰¹ At the same time, agricultural monopolies are displacing small farmers, which threatens food security. According to the 2022 Census of Agriculture, the number of farms in the United States decreased by 7 percent over the past five years, while the average farm size increased by 5 percent, reaching 463 acres.¹⁰²

Agriculture has increasingly evolved into an industrialized sector dominated by large corporations. One of the key strategies in modern agribusiness is the widespread adoption of monocultures, where a single crop is cultivated over vast areas to minimize costs and maximize profits. While this approach enhances efficiency and productivity, it also leads to significant environmental consequences, including soil depletion and a growing dependence on pesticides and synthetic fertilizers. As soil nutrients become exhausted, farmers must rely on chemical inputs to maintain yields, further reinforcing this cycle.¹⁰³ Agribusiness giants such as Monsanto actively promote genetically modified seeds designed to withstand pests and herbicides, but this practice often increases reliance on external agricultural inputs, raising concerns about sustainability and biodiversity loss.¹⁰⁴

¹⁰⁰ Enel Group, "The 3 Pillars of Sustainability: Environmental, Social and Economic," June 2023, <https://www.enel.com/company/stories/articles/2023/06/three-pillars-sustainability>, (May 8, 2025)

¹⁰¹ FAO. State of the World's Land and Water Resources, 2022.

¹⁰² United States Department of Agriculture (USDA), 2022 Census of Agriculture Reports Continued Size and Aging Trends, 2023, <https://www.nass.usda.gov/AgCensus/>, (May 8, 2025)

¹⁰³ The Environmental Literacy Council, How Does Monoculture Affect Soil?, <https://enviroliteracy.org/soil/monoculture-and-soil/>, (April 23, 2025).

¹⁰⁴ GardenShaman, Monsanto's Impact on Biodiversity: A Critical Assessment, March 17, 2024, <https://gardenshaman.eu/monsanto-impact-on-biodiversity>, (May 8, 2025)

The increasing globalization of agriculture has disrupted local food production systems, making farmers more dependent on international markets and price fluctuations. Large-scale trade agreements and competitive pressures have led to the marginalization of small-scale farmers, particularly in developing countries. Farmers in these regions struggle to compete with subsidized agricultural products from wealthier nations. For instance, American farmers receive approximately USD 20 billion in government subsidies annually, allowing them to sell their products at artificially low prices on global markets. This practice, often described as agricultural dumping, undercuts local producers, weakens food sovereignty, and increases reliance on imported food, which can be detrimental to long-term food security.¹⁰⁵

At the same time, climate change poses a growing threat to agricultural ecosystems worldwide. Unpredictable weather patterns, rising temperatures, and extreme climate events such as droughts, floods, and hurricanes have severely disrupted food production. Research indicates that annual losses in agricultural output due to climate-related disasters now reach approximately USD 10 billion.¹⁰⁶ These disruptions not only reduce yields but also threaten the livelihoods of millions of farmers, particularly in regions already facing water scarcity and land degradation. As global warming intensifies, the agricultural sector will need to adapt through sustainable farming practices and improved resilience strategies to mitigate the impact of an increasingly volatile climate.

The transition to an industrial model of agriculture increases developing countries' dependence on food imports. For example, the African continent, despite its rich natural resources, in 2025 more than 80 percent of its grain expected to be imported, making it vulnerable to rising world prices.¹⁰⁷ The displacement of small farmers leads to massive migration of rural populations to cities. A World Bank study shows that rural-urban migration does not always lead to poverty reduction for migrants. For instance, in Tanzania, only one in seven individuals who migrated to a large city successfully exited poverty, despite experiencing faster consumption growth on average.¹⁰⁸ Also, the use of pesticides and chemical fertilizers increases soil and water pollution

¹⁰⁵ Environmental Working Group, Farm Subsidies Ballooned Under Trump, April 2021, <https://www.ewg.org/farm-subsidies/2021-report>, (May 8, 2025)

¹⁰⁶ Intergovernmental Panel on Climate Change (IPCC), Climate Change, 2023, <https://www.ipcc.ch/report/ar6/syr/>, (May 8, 2025)

¹⁰⁷ Olam Group, Is Wheat Self-Sufficiency for Africa Within Reach?, 2023, <https://www.olamgroup.com/stories/articles/is-wheat-self-sufficiency-for-africa-within-reach.html>, (May 8, 2025)

¹⁰⁸ Luc Christiaensen, Joachim De Weerd, and Yasuyuki Todo, "Urbanization and Poverty Reduction: The Role of Rural Diversification and Secondary Towns," **World Bank Policy Research Working Paper**, No.6422, 2013.

and destroys biodiversity. For example, the mass extinction of bees in North America is associated with chemical treatment of fields.¹⁰⁹ Intensive use of land for growing soybeans and corn leads to the destruction of the Amazon forests. According to Greenpeace, in 2021 alone, more than 13,000 square kilometers of forest were cut down for agricultural purposes.¹¹⁰

1.2.4 Digital Economy and Technologies

The modern economy is undergoing significant transformations due to the rise of digital technologies and algorithmic automation. Instead of relying on traditional methods for production and business processes, many companies are increasingly turning to algorithms and artificial intelligence for key decision-making. This shift not only changes the structure of the global economy but also introduces numerous new problems and contradictions. Technological advancements, on the one hand, enhance economic efficiency, while on the other, they create risks to social equality, freedom, and the stability of economic systems. In this section, we will explore the impact of the digital economy, cryptocurrencies, and central bank digital currencies on traditional economic models, highlighting the contradictions that arise at the intersection of technological innovation and social challenges.

The algorithmic economy is a system in which key business decisions and operations are automated using algorithms and artificial intelligence (AI). This changes economic and social structures, creating risks. For example, automated stock trading causes market volatility, as happened in the 2010 US stock market.¹¹¹ Reasons for the rise of the algorithmic economy are that: modern algorithms are capable of analyzing huge amounts of data, making them more effective than humans in decision making, algorithms replace manual labor, which reduces personnel costs and simplifies processes, also companies are adopting algorithms to stay competitive. Amazon, for example, uses AI for dynamic pricing, adapting prices in real time.

The growing influence of technology has led to the concentration of power in the hands of companies that develop and control advanced algorithms. These firms gain significant monopolistic advantages by leveraging data-driven decision-making, optimizing supply chains,

¹⁰⁹ U.S. Environmental Protection Agency, Colony Collapse Disorder, October 2024, <https://www.epa.gov/pollinator-protection/colony-collapse-disorder>, (May 8, 2025)

¹¹⁰ Greenpeace International, Numbers Don't Lie: Amazon Deforestation Increased Under Bolsonaro, November 19, 2021, <https://www.greenpeace.org/international/story/50767/amazon-deforestation-under-bolsonaro-numbers/>, (May 8, 2025)

¹¹¹ U.S. Securities and Exchange Commission (SEC), Findings Regarding the Market Events of May 6, 2010 (Flash Crash), 2010, <https://www.sec.gov/news/studies/2010/marketevents-report.pdf>, (May 8, 2025)

and predicting consumer behavior with unparalleled precision. As a result, smaller competitors struggle to keep up, leading to reduced market competition and increased dominance of tech giants. This concentration of power not only affects economic structures but also limits consumer choice and reinforces corporate control over critical digital infrastructure.¹¹²

At the same time, the widespread use of algorithms in areas such as credit scoring and hiring has worsened social justice by reinforcing existing biases. Research has shown that algorithms often replicate and amplify the prejudices of their developers, leading to discriminatory outcomes. Automated systems used in hiring processes, for example, have been found to disadvantage candidates from certain demographic backgrounds, perpetuating inequalities in the job market. Similarly, algorithmic credit scoring can disproportionately penalize individuals based on historical patterns rather than their actual financial behavior, further deepening economic disparities. As reliance on algorithmic decision-making grows, addressing these biases becomes a crucial challenge to ensuring fairness and equal opportunities.¹¹³ Zuboff's work highlights how algorithms are creating a "surveillance economy" in which personal data is used to manipulate consumer behavior.¹¹⁴

Another significant consequence of technological advancement is the rise of technological unemployment. The increasing automation of tasks, particularly in the semi- and low-skilled job sectors, has led to widespread job losses as machines and artificial intelligence systems replace human workers. While automation enhances efficiency and reduces costs for businesses, it also displaces workers who may lack the skills needed to transition into new roles. This shift not only creates economic insecurity for individuals but also raises broader societal concerns about the future of work, income inequality, and the need for retraining programs to support those affected by rapid technological change.¹¹⁵

Cryptocurrencies like Bitcoin and Ethereum were originally conceived as decentralized alternatives to the traditional financial system. However, their practical use has revealed a variety of problems, from exchange rate instability to their exploitation in criminal schemes. The instability of exchange rates makes cryptocurrencies unsuitable for everyday payments. A

¹¹² Shoshana Zuboff, **The Age of Surveillance Capitalism: The Fight for a Human Future at the New Frontier of Power**, New York: PublicAffairs, 2019.

¹¹³ Nicholas Schmidt and Bryce Stephens, An Introduction to Artificial Intelligence and Solutions to the Problems of Algorithmic Discrimination, 2019, <https://ssrn.com/abstract=3455423>, (May 8, 2025)

¹¹⁴ Zuboff, *The Age of Surveillance Capitalism*, 2019.

¹¹⁵ Linvelo, The Job Displacement Dilemma: How AI Automation Threatens Employment and What We Can Do About It, 2023, <https://linvelo.com/the-job-displacement-dilemma/>, (May 8, 2025)

study by the European Central Bank (2021) indicates that cryptocurrencies are often used for speculation, which leads to significant fluctuations in value.¹¹⁶

Proof-of-Work models like Bitcoin consume huge amounts of energy. A University of Cambridge analysis shows that Bitcoin mining is comparable to the annual energy consumption of entire countries such as Argentina or the Netherlands.¹¹⁷ This exacerbates the environmental crisis and increases the cost of electricity. According to the Financial Action Task Force (FATF), cryptocurrencies are used for tax evasion, terrorism financing and drug trafficking.¹¹⁸ The anonymity of transactions makes them attractive for illegal activities.

In parallel with the development of cryptocurrencies, government institutions have begun developing central bank digital currencies (CBDCs), such as e-CNY in China or the digital euro project. These instruments are designed to provide greater stability and control over money flows. CBDCs allow governments to monitor citizens' financial activity in real time.¹¹⁹ In China, for example, the e-CNY system is already being used to analyze consumer habits and identify potentially dangerous activities. Unlike cash, digital currencies can be used to control citizens' spending. For example, the government can set limits on the purchase of certain goods or freeze accounts at its discretion.¹²⁰ The introduction of CBDC could undermine the role of commercial banks, depriving citizens of alternative financial instruments. As Roubini notes, central banks will be able to "dictate" how and where funds are directed.¹²¹

For example in China, the implementation of the digital yuan (e-CNY) has raised concerns among analysts regarding its potential use in expanding state surveillance.¹²² In Nigeria, following the introduction of the digital naira (eNaira), the government has reduced the supply

¹¹⁶ European Central Bank, Financial Stability Report, 2021, <https://www.ecb.europa.eu/pub/financial-stability/fsr/html/index.en.html>, (May 8, 2025)

¹¹⁷ Alexander Neumueller, "Bitcoin Electricity Consumption: An Improved Assessment," *Cambridge Judge Business School*, August 31, 2023, <https://www.cbs.cam.ac.uk/news/bitcoin-electricity-consumption-2023>, (May 8, 2025)

¹¹⁸ Financial Action Task Force (FATF), Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, 2021, <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Virtual-assets-2021.html>, (May 8, 2025)

¹¹⁹ Arjun Kharpal, "China's Digital Yuan: What Is It and How Does It Work?" *CNBC*, 2021, <https://www.cnbc.com/2021/04/26/what-is-chinas-digital-yuan.html>, (May 8, 2025)

¹²⁰ Yaya J. Fanusie, "China's Digital Currency," *Center for a New American Security (CNAS)*, 2021, <https://www.cnas.org/publications/reports/chinas-digital-currency>, (May 8, 2025)

¹²¹ Nouriel Roubini, "Why Central Banks Will Take Over Digital Payments," *Project Syndicate*, November 2018, <https://www.project-syndicate.org/commentary/central-banks-take-over-digital-payments-no-cryptocurrencies-by-nouriel-roubini-2018-11>, (May 8, 2025)

¹²² Tim Hinchliffe, "China's Digital Yuan: A CBDC Model Reducing Cash Dependency and Expanding Financial Access, Says WEF," *HackerNoon*, September 27, 2021, <https://hackernoon.com/chinas-digital-yuan-a-cbdc-model-reducing-cash-dependency-and-expanding-financial-access-says-wef>, (May 8, 2025)

of cash, forcing citizens to switch to digital currency.¹²³ Werner argues that CBDCs could be used to introduce negative interest rates, which would force citizens to spend money even if they would rather save.¹²⁴ In turn, Chomsky points out the danger of turning the digital economy into a tool for total surveillance.¹²⁵

Thus, the transition to a digital economy and advanced technologies brings both new opportunities and serious challenges to modern economic and social systems. The reduction of costs and improvement in efficiency through automation and algorithms contrasts with issues such as market monopolization, growing social inequality, and security threats. Meanwhile, the rise of cryptocurrencies and central bank digital currencies introduces new forms of control and privacy risks, demanding careful analysis and regulation. As a result, the integration of new technologies into the economy requires a balance between innovation and the preservation of core principles of social justice and economic stability.

¹²³ Nicholas Anthony, "Nigeria's CBDC Was Not Chosen. It Was Forced," *Cato at Liberty Blog*, May 15, 2023, <https://www.cato.org/blog/nigerias-cbdc-was-not-chosen-it-was-forced>, (May 8, 2025)

¹²⁴ Richard A. Werner, Negative Interest Rates and the War on Cash, 2015, <https://professorwerner.org/negative-interest-rates-and-the-war-on-cash/>, (May 8, 2025)

¹²⁵ Noam Chomsky, A Surveillance State Beyond Imagination Is Being Created in One of the World's Freest Countries, Chomsky.info, June 2, 2014. <https://chomsky.info/20140602/>, (May 8, 2025).

2 THE CONCEPTUAL FRAMEWORK OF ISLAMIC ECONOMY AND ISLAMIC GIFT ECONOMY

This part of the thesis provides the theoretical foundation for understanding the Islamic gift economy. It is structured to offer both classical and contemporary perspectives on Islamic economic thought, which are essential for contextualizing the modern application of IGE in Southeast Asia. The section is organized in three main parts:

- Section 2.1 discusses the foundational principles of the Islamic economic tradition and highlights the contributions of key classical scholars such as al-Shaybani, al-Ghazali, and al-Dimashqi.
- Section 2.2 examines the state of modern Islamic economics and critiques current practices, especially in the context of Islamic finance.
- Section 2.3 introduces the IGE as a coherent alternative, presenting its core principles, mechanisms, and socio-economic implications.

The aim of this part is to build a strong conceptual framework that informs the subsequent empirical analysis. It seeks to demonstrate that the IGE is not an abstract or utopian ideal, but rather a practical model deeply rooted in Islamic jurisprudence, ethics, and community-based principles. By offering this contextual background, the study equips readers with the necessary tools to critically evaluate how these principles are manifested in modern Southeast Asian societies, and how they differ from or align with conventional economic paradigms.

2.1 The Islamic Economic Tradition: Key Thinkers and Foundations

2.1.1 Islamic Economic Tradition and its Foundations

Modern economics is focused on maximizing profits and increasing productivity, but such priorities often lead to ignoring the moral, social, and environmental consequences of economic activity. In the classical Islamic tradition, economics was seen as a tool for maintaining social justice and harmony, rather than simply a mechanism for accumulating wealth. This is evident in the works of al-Shaybani, al-Ghazali, and al-Dimashqi, who described economics as a means of organizing the welfare of society based on justice, fairness, and mutual assistance.¹²⁶

¹²⁶ Adi Setia, "Reviving an Economics for the Common Good," *Islam & Science*, Vol.9 (2011), p.61–85.

Al-Shaibani in *Kitab al-Kasb* views the process of earning money as an integral part of religious and social life. He emphasized that every individual is obliged to strive for lawful income (*kasb halal*), which is achieved through work, trade and crafts, while adhering to the principles of honesty and responsibility. He distinguished between permitted (*halal*) and prohibited (*haram*) earnings, pointing out that activities related to deception, usury and exploitation undermine the foundation of social order.¹²⁷

Al-Ghazali, in *Kitab Adab al-Kasb wal-Ma'ash*, details how the economy can be directed towards achieving a prosperous existence. He emphasized the importance of diversity in professions and trades, arguing that the economy must be balanced in such a way that each sector complements the other. Without an equal distribution of labor, society becomes unstable, as an overrepresentation in one sphere of activity leads to social inequality.¹²⁸

Al-Dimashqi, in *Kitab al-Ishara ila Maḥāsin al-Tijara*, viewed trade as the basis of economic interaction, capable of connecting disparate social groups and ensuring stability. However, he also emphasizes that economic activity must be governed by moral principles. For example, he points to the concept of *infaq* (distribution of wealth), according to which accumulated wealth should circulate within society rather than be concentrated in the hands of a few.¹²⁹

He distinguished three levels of economic activity:

- Individual level: each person should strive to earn an honest income and avoid excessive accumulation.
- Social level: economic relations should be based on trust, honesty and cooperation.
- State level: regulation of trade, protection of the rights of employees and control over the fair distribution of resources.¹³⁰

One of the key aspects of Islamic economics is the ethical restrictions on the accumulation and use of capital. Usury (*riba*) is prohibited, as it leads to exploitation and increased social inequality. Instead, alternative financing mechanisms such as *mudaraba* (partnership investment) and *murabaha* (trade finance) are offered, which involve a fair distribution of risks

¹²⁷Abd al-Fattāḥ Abu Ghudda, ed., *Kitāb al-Kasb by Muḥammad ibn al-Ḥasan al-Shaybānī*, Beirut: Dār al-Bashā'ir al-Islāmiyyah, 1997.

¹²⁸Abu Hafs Sayyid ibn Ibrahim ibn Sadiq ibn Imran, ed., *Iḥyā' 'Ulūm al-Dīn (Revival of the Religious Sciences)*, Cairo: Dar al-Hadith, 1992.

¹²⁹Ali al-Dimashqi, *Kitāb al-Ishāra ilā Maḥāsin al-Tijāra*, edited by al-Bishri al-Shurabji, Cairo: Maktabat al-Kulliyat al-Azhariyya, 1977.

¹³⁰Setia, *Reviving an Economics for the Common Good*, 2011.

and profits.

Al-Ghazali discussed the principle of consumption ethics, according to which a person should use wealth moderately, avoiding both stinginess and extravagance. He also drew attention to the phenomenon of speculation, arguing that trade should not turn into a game of chance, where the main goal is not the production of value, but quick profit.¹³¹ Islamic economics is based on the concept of “*maslahat al-amma*” (common good). This principle assumes that wealth is not personal property, but a public trust (*amanat*), and therefore it should be used in the interests of society. This is expressed in several key aspects¹³²:

- The system of *zakat* (obligatory donations) aimed at supporting the poor and needy.
- *Waqf* (charitable foundations) that finance public needs such as education, health and social welfare.
- Transparency in economic activity, ensuring that trade and financial transactions are conducted openly and fairly.

The Islamic economic system offers a holistic approach that combines material well-being with spiritual and ethical principles. Unlike the modern market economy, which is focused on maximizing profits, the Islamic model strives for a balance between individual and public interests.¹³³ Restoring these principles is possible through the creation of fair economic institutions, support for small and medium-sized businesses, and strengthening the social responsibility of entrepreneurs.

2.1.2 Imam Muhammad ibn al-Hasan ash-Shaybani on Earnings

The issue of earning money in the Islamic tradition is considered not only as an economic activity, but also as part of spiritual discipline. Imam Muhammad ibn al-Hasan ash-Shaybani (748–804) in his work *Kitab al-Kasb* analyzes the concept of earning money from the point of view of Islamic jurisprudence (*fiqh*), social solidarity and spiritual purification¹³⁴.

- This paper examines seven key aspects of his treatise, including the religious, legal and ethical aspects of livelihood, the role of trade, agriculture and crafts, and the balance

¹³¹ Sayyid, Iḥyā’ ‘Ulūm al-Dīn (Revival of the Religious Sciences), 1992.

¹³² Ibid.

¹³³ Muhammad Umer Chapra, *The Islamic Vision of Development in the Light of Maqasid al-Shariah*, Wiltshire: Cromwell Press, 2008.

¹³⁴ Adi Setia, “Imam Muhammad Ibn al-Hasan al-Shaybani on Earning a Livelihood,” *Islam & Science*, Vol.10 (2012), p.41–60.

between individual and collective responsibilities. Ash-Shaybani viewed earning as a dual obligation: Fard al-ayn (individual duty) – a person is obliged to provide for himself and his family, avoiding dependence on charity.

- Fard al-Kifayah (collective duty) – a society must have people engaged in different professions in order to satisfy its basic needs ¹³⁵.

For example, if there are no doctors or artisans in a society, the sin falls on the entire community. This means that the economy must be balanced and everyone must strive to do useful work ¹³⁶.

- Shaibani emphasized the ethical foundations of economics, which include honesty and transparency: transactions must be based on trust and not misleading.
- The prohibition of usury (riba): obtaining unfair benefits through interest is contrary to Islamic law.
- Prohibition of speculation (gharar): financial transactions must be based on real value and not on speculative deals.
- Obligation to care for the poor: surplus income should be redistributed through zakat and charity.

Ash-Shaybani viewed work as an extension of spiritual life. He emphasizes that work is a form of worship if it complies with the Sharia: (i) in earning money there is a sense in cooperation in good deeds ¹³⁷, (ii) earnings must be clean (halal) and not connected with deception or oppression, (iii) enrichment is permissible if it leads to the good of society and not to greed ¹³⁸. In this regard, he refers to the hadith of the Prophet Muhammad: “The best of people is the one who benefits people.”¹³⁹

Shaibani identified four main types of earnings:

- Hired labor (ijara) is acceptable if the terms of the contract are fair.
- Trade (tijara) is a noble occupation but requires honesty.
- Agriculture (zira'a) is supported by Islam as it ensures food security.

¹³⁵ Abu Ghudda, Kitab al-Kasb, 1997

¹³⁶ Setia, Imam Muhammad Ibn al-Hasan al-Shaybani on Earning a Livelihood, 2012.

¹³⁷ Ibid.

¹³⁸ Ibid.

¹³⁹ IslamOnline. 2024. “Fulfilling People’s Needs in Islam.” *IslamOnline*,. <https://islamonline.net/en/fulfilling-peoples-needs-in-islam/> (May 8, 2025)

- Crafts (sina'a) are especially important for the independence of society ¹⁴⁰.

However, he warned against excessive accumulation of wealth: "It is enough for a person to have just enough to support his life and serve Allah."¹⁴¹ It is also important to find a balance between personal well-being and the public good. Islamic economics is based on the principles of justice and redistribution of wealth. This includes the gift economy, in which excess wealth should be used for the benefit of society: zakat (obligatory charity) ensures income redistribution, waqf (Islamic charitable foundations) finance social needs, trade transactions should benefit both parties, not just the seller.

Ash-Shaibani emphasized: "The owner of wealth should act as a trustee, not a master." ¹⁴²

Modern economic systems are moving away from Islamic values, and Shaibani suggested ways to revive them:

- Return to the principles of muamalat (Islamic economic interactions).
- Encouraging local production and agriculture rather than dependence on the global market.
- Development of Islamic financial instruments without riba (interest).
- Education in Islamic economics and implementation of fair-trade principles ¹⁴³.

Kitab al-Kasb offers a holistic view of the economy, in which personal earnings are inextricably linked with the public good and spiritual values. Al-Shaybani emphasized that earnings are not just a source of income, but also a tool for building a just society. To revive these principles, it is important to reform economic institutions, introduce ethics into business, and develop cooperative models that are in line with the spirit of Islamic economics. This will ensure not only material well-being, but also social harmony based on justice and cooperation ¹⁴⁴.

2.1.3 Al-Dimashqi's Economic Ideas: Community, Money, and Trade Management

Ja'far ibn Ali al-Dimashqi (c. 600/1200) is a significant figure in the history of Islamic economic thought. His treatise Kitab al-Isharat ila Mahasin al-Tijarat (The Indicator of the

¹⁴⁰ Abu Ghudda, Kitab al-Kasb, 1997.

¹⁴¹ Ibid

¹⁴² Ibid

¹⁴³ Ibid

¹⁴⁴ Setia, Imam Muhammad Ibn al-Hasan al-Shaybani on Earning a Livelihood, 2012.

Virtues of Trade) explores the principles of financial management, the importance of community, the role of money, and prudent spending. This text summarizes key ideas from his work, focusing on social relations, regulation of trade, and sustainable development ¹⁴⁵.

Al-Dimashqi argued that people cannot exist in isolation because their needs are too complex. He identifies two types of needs: One is natural – housing, clothing food, another one is public – protection, medical care, complex instruments ¹⁴⁶. To meet these needs, division of labor and specialization are necessary. For example, builders depend on carpenters, carpenters on blacksmiths, and blacksmiths on miners. This principle confirms the need for urban organization and cooperation within communities ¹⁴⁷.

Al-Dimashqi also explained why gold and silver became the main means of exchange. He argued that people need a universal equivalent to compare the value of different goods ¹⁴⁸:

- Iron, copper and lead were found to be unsuitable due to rust and softness.
- Gold and silver are durable, easy to mint, have a natural shine and do not deteriorate ¹⁴⁹.
- These metals allow us to store wealth and serve as a universal unit of measurement for the value of goods ¹⁵⁰.

Thus, gold and silver became the basis of a double metallic standard (bimetallism), which was used for centuries.

Al-Dimashqi warned traders about the tricks of unscrupulous intermediaries and outlined the key rules of trade. He emphasized the importance of controlling measures and weights, stressing that it is necessary to closely monitor the work of measurers, weighers, and counters to prevent fraud.¹⁵¹ He also urged traders not to trust speculators, as rumors and artificially inflated prices spread by intermediaries could be misleading. Special attention was given to caution in choosing buyers, goods should be sold only to those who truly need them, rather than to those

¹⁴⁵Adi Setia, “Jafar ibn Ali al-Dimashqi on Community, Money, and Prudent Management in Trading and Spending” *Islam & Science*, Vol. 9 (2011), p.23–46.

¹⁴⁶Jafar ibn Ali al-Dimashqi, *Kitāb al-Ishārāt ilā Maḥāsin al-Tijārat*, 1175.

¹⁴⁷Setia, Jafar ibn Ali al-Dimashqi on Community, Money, and Prudent Management in Trading and Spending, 2011.

¹⁴⁸Al-Dimashqi, *Kitāb al-Ishārāt ilā Maḥāsin al-Tijārat*, 1175.

¹⁴⁹Setia, Jafar ibn Ali al-Dimashqi on Community, Money, and Prudent Management in Trading and Spending, 2011

¹⁵⁰Yassine Essid, *A Critique of the Origins of Islamic Economic Thought*, Leiden: Brill, 1995.

¹⁵¹Al-Dimashqi, *Kitāb al-Ishārāt ilā Maḥāsin al-Tijārat*, 1175.

engaged in resale.¹⁵² Furthermore, he warned against excessive accumulation of wealth, reminding merchants to be fair and moderate in pricing.

Al-Dimashqi also proposed five principles for preserving wealth. He advised against spending more than one earns, as gradual depletion of capital inevitably leads to financial ruin. He recommended creating a reserve fund by setting aside a portion of income to prepare for crises. When it came to investments, he urged caution, emphasizing that one should not invest in enterprises with slow returns. He pointed out that goods are sold faster than real estate, as property appreciates much more slowly. Finally, he warned against extravagance, stressing that excessive spending on luxury ultimately leads to financial decline.

He emphasized the importance of moderation and caution, especially during times of instability. *Kitab al-Isharat ila Mahasin al-Tijarat* covers a wide range of economic issues, including the importance of community, the ethics of trade, wealth management, and money. Al-Dimashqi proposed a sustainable economic model based on honesty, social responsibility, and prudent financial management. His ideas remain relevant today, especially in times of economic instability and financial crises. Restoring the principles of fair trade and sound resource management will help create a more sustainable and ethical economic system.

2.1.4 Trade, Commerce and Market in the Time of the Prophet Muhammad

The Prophet Muhammad founded a mosque and a market for the Muslims upon his arrival in Medina. Although there was a market of the Banu Qaynuqa tribe, the Prophet wanted to create a separate market for the Muslims, based on the principle of the market is charity and where no taxes were levied. The Muslim market was similar to a place of worship: anyone could freely enter and use the place for trade and also earn a living.¹⁵³ The market was an extension of the mosque, and just as the mosque followed the rules of worship, so the market followed the rules of honesty and justice.¹⁵⁴ This meant the creation of an Islamic market and economy in which usury and monopoly were excluded. The market was to serve as a place for trade and for the economic development of the community, supporting the principles of social justice.

¹⁵² Essid, *A Critique of the Origins of Islamic Economic Thought*, 1995.

¹⁵³ Adi Setia, "Trade, Commerce, Money and Market in the Islamic Experience," **Journal of Islamic Sciences**, Vol.12, No.1 (2014) p.1–22.

¹⁵⁴ Muḥammad ibn al-Ḥasan al-Shaybānī, **The Book of Earning a Livelihood**, trans. Adi Setia, Kuala Lumpur: IBFIM, 2011.

The mosque and the market were important pillars of the Islamic community as places of worship and trade. It was necessary to maintain ethical standards in both places to avoid double standards and to maintain taqwa (mindfulness towards the Creator) everywhere. Classical scholars wrote about the rules of mosques and markets. Market inspectors (muhtasib) ensured that fair transactions were observed. An example is Umar, the second caliph, who walked around the market punishing merchants who violated the rules to prevent usury. Imam Muhammad al-Shaybani stated that ibadat and muamalat are related like salat and taharat: one does not exist without the other ¹⁵⁵. Religion encompasses both personal relationships with the Creator and interpersonal relationships with people.

In Medina, these two aspects of religion were realized. The city of the Prophet became the place where religion was fulfilled in both private and public life. Medina symbolized the socio-political order of Islam, where trade and commerce play a key role in the life of society. ¹⁵⁶ Man is involved in trade, where his profit or loss depends on his responsibility and choice.

According to Adi Setia¹⁵⁷, a community exists when its members adhere to common ethical norms and laws, both in worship at the mosque and in trade. Scholars wrote about the rules of trade and earnings in order to establish common principles for interaction and transactions. Without these norms, there can be no coherent community, only a random gathering of people. Trade based on higher consciousness, not selfish gain, is part of fard al-kifayah, the obligation to provide for the needs of the community. Through honest trade and labor, one helps to provide for the community while supporting oneself. Economics in Islam is not focused on scarcity and unlimited desires, but on a decent income and the common good.

Personal worship is not enough for a full Islamic life unless the necessary interpersonal relationships are developed to support that worship. This is the connection between individual and collective duties, between worship and social relationships. Imam al-Ghazali stated that crafts and trade are important for society. If they were abandoned, order would be disrupted and people would die. ¹⁵⁸

¹⁵⁵ Ibid.

¹⁵⁶ Nasir Hassan Wani, "The City-State of Madina: Administrative and Constitutional Policies of Prophet Muhammad [PBUH]," *AL-ARFA: Journal of Sharia, Islamic Economics and Law*, Vol.1, No.2 (2023), p.45–65.

¹⁵⁷ Setia, Trade, Commerce, Money and Market in the Islamic Experience, 2014.

¹⁵⁸ Al-Shaybānī, The Book of Earning a Livelihood, 2011.

2.2 Modern Islamic Economy

2.2.1 Current State of Islamic Economics and Finance

Islamic economics and finance represent a system of economic and financial practices based on Sharia principles. These principles include the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *haram* (forbidden) investments, as well as an emphasis on justice, transparency, and the shared distribution of risks and profits.¹⁵⁹ In recent decades, the Islamic finance industry has shown steady growth, attracting interest from both Muslim and non-Muslim countries. This chapter will analyze the current state of Islamic economics and finance, their application in various sectors, and examine existing criticisms and challenges.

The Islamic finance industry continues to demonstrate steady growth and integration into the global economy. The total volume of assets of Islamic financial institutions is estimated at USD 3.2 trillion, with projected growth in the coming years.¹⁶⁰ The main centers of Islamic finance are the countries of the Middle East and Southeast Asia, such as Saudi Arabia, Malaysia, the UAE, and Indonesia. However, Islamic financial products and services are gaining increasing recognition in Europe, North America, and Central Asia, where Islamic banks are being established, and *sukuk* are being issued.¹⁶¹

The Islamic finance industry includes several key segments: Islamic banking, which constitutes a significant part of the industry and offers products that comply with Sharia principles, such as *Mudaraba* and *Murabaha*; the *sukuk* market, backed by real assets, which is used to raise capital by government and private organizations; *Takaful*, Islamic insurance based on the principles of mutual assistance and risk-sharing. Islamic investment funds, which invest in assets that comply with Sharia principles and provide investors with an opportunity to diversify their portfolios.¹⁶²

Islamic financial instruments are applied in various sectors of the economy. The corporate sector actively uses *Sukuk* to raise capital, enabling the financing of projects that comply with Sharia principles. This is especially relevant in infrastructure and energy projects. In the public

¹⁵⁹ Muhammad Ayub, **Understanding Islamic Finance**, 2nd ed., Hoboken, NJ: John Wiley & Sons, 2014.

¹⁶⁰ Islamic Financial Services Board (IFSB), *Islamic Financial Services Industry Stability Report 2024*, 2024, <https://www.ifsb.org/wp-content/uploads/2024/09/IFSB-Stability-Report-2024-8.pdf>, (May 8, 2025)

¹⁶¹ Halal Times, "Top Islamic Financial Institutions 2024 Highlights," *Halal Times*, November 2024, <https://www.halaltimes.com/top-islamic-financial-institutions-2024-highlights/>, (May 8, 2025)

¹⁶² IFSB, *Islamic Financial Services Industry Stability Report 2024*, 2024.

sector, many governments of Muslim countries issue Sukuk to finance budget expenditures and infrastructure projects, contributing to the diversification of funding sources and attracting investors. Small and medium-sized businesses receive significant support from Islamic banks, which provide financing based on profit and loss-sharing principles, reducing the debt burden on entrepreneurs. In retail banking services, Islamic banks offer products for private clients, such as Islamic mortgage loans and deposits, which align with the ethical and religious beliefs of customers.¹⁶³

The Islamic financial system has several advantages that make it attractive to various market participants. First and foremost, it is focused on ethical investing, excluding involvement in activities that contradict moral norms. The second important aspect is risk-sharing, as financing models based on Sharia principles promote a fairer distribution of risks between parties, reducing the likelihood of financial crises. Additionally, Sharia principles require transparency in financial transactions and fair treatment of participants, which strengthens trust between parties and contributes to the stability of the financial system.¹⁶⁴

The growing interest in ethical investments and sustainable finance is contributing to the popularization of Islamic financial instruments even in countries where Islam is not the dominant religion. In recent years, Islamic banks and funds have actively expanded their operations in the United Kingdom, Germany, the United States, and several African countries.¹⁶⁵ To enhance competitiveness, Islamic financial institutions must develop new products that meet the modern demands of businesses and consumers, including Islamic fintech solutions, crypto assets, and crowdfunding platforms based on Sharia principles. Strengthening cooperation between Islamic financial institutions and international organizations can facilitate the standardization and integration of Islamic finance into the global economy. The development of specialized training programs, certifications, and research centers will help improve knowledge and professionalism in this field, accelerating the industry's growth.

2.2.2 Criticism of Modern Islamic Banking and Finance

Despite the achievements, Islamic economics and finance faces a number of criticisms and challenges. The main problem of Islamic banking is the substitution of the essence of muamalat,

¹⁶³ Islamic Corporation for the Development of the Private Sector (ICD) and London Stock Exchange Group (LSEG), Islamic Finance Development Report 2023: Navigating Uncertainty, 2023, https://solutions.lseg.com/IslamicFinance_ICD_LSEG, (May 8, 2025)

¹⁶⁴ Muhammad Ayub, **Understanding Islamic Finance**, Hoboken, NJ: John Wiley & Sons, 2007.

¹⁶⁵ Halal Times, Top Islamic Financial Institutions 2024 Highlights, 2024.

transforming it from a system of fair trade and investment relations into a mechanism for obtaining rent¹⁶⁶ through debt leverage and monetization¹⁶⁷. This leads to the copying of traditional financial instruments, which undermines the original social and ethical principles of muamalat¹⁶⁸.

The financialization of muamalat focuses on profit, ignoring the moral and economic goals of muamalat¹⁶⁹. In contrast to this tendency, classical jurists developed contractual norms not for the sake of formality, but to ensure fair and balanced exchange.¹⁷⁰ For example, the prohibition of riba (usury) protects the public interest by sacrificing narrow financial gain for the sake of a fair distribution of goods.¹⁷¹ Thus, muamalat is aimed at the harmony of private benefit and public good, whereas modern Islamic banking often deviates from these principles, replacing ethics with financial gain.

In contemporary Islamic discourse, there is a tendency to adapt the traditional concepts of maqasid al-sharia (the goals of sharia) and maslaha (public benefit) to the framework of Western utilitarianism. This process, according to a number of researchers, including Adi Setia, leads to the conceptual erosion of Islamic values and their replacement with secular categories of progress, economic development and technological growth¹⁷².

Historically, maqasid al-sharia is a system of the highest goals of Islamic legislation aimed at preserving five fundamental values: religion (din), life (nafs), reason (aql), family (nasl) and property (mal)¹⁷³. Maslaha, in turn, denotes everything that contributes to the preservation of these values, and its opposite, mafsada, denotes everything that harms them. Thus, in Islamic law, maslaha is not an independent source of decisions, but must be considered through the prism of the Quran, Sunnah and the principles of usul al-fiqh (the foundations of jurisprudence).

¹⁶⁶ Mushtaq A. Khan and Jomo K. S., eds., **Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia**, Cambridge: Cambridge University Press, 2000.

¹⁶⁷ A. Ahmad Alkhamees, **A Critique of Creative Shari'ah Compliance in the Islamic Finance Industry**, Leiden: Brill, 2017, p.67–86.

¹⁶⁸ Yusuf Jha, "The Destructive Logic of Interest: The Fallacy of Perpetual Growth, with a Discussion of Reformist Action by Islamic Banks," **Islam and Civilizational Renewal** Vol.5, No.3 (2014), p.409–429.

¹⁶⁹ Mehmet Asutay, "Islamic Moral Economy as the Foundation of Islamic Finance," in **Islamic Finance in Europe**, ed. Valentino Cattelan, p.55–69, Cheltenham: Edward Elgar Publishing, 2013.

¹⁷⁰ Abdessamad Belhaj, **The Ethical Thesis: Practical Reason in Islamic Legal Hermeneutics**, Budapest: Avicenna Institute of Middle Eastern Studies, 2015.

¹⁷¹ Mohammad Fadel, "Riba, Efficiency, and Prudential Regulation: Preliminary Thoughts," **Wisconsin Law Review**, No.3 (2008), p.681–705.

¹⁷² Adi Setia, "Freeing Maqasid and Maslaha from Surreptitious Utilitarianism," **Islamic Sciences**, Vol.14, No.1 (2016), p.57–76.

¹⁷³ Muḥammad Said Ramaḍān al-Buṭī, **Dawabit al-Maslaha fi al-Shari'a al-Islamiyya**, Damascus: Dar al-Fikr, 2005.

However, in recent decades there has been a tendency to replace the traditional understanding of maslyakh with the concept of benefit in a utilitarian sense, where the criterion of benefit is determined not by religious but by economic and pragmatic factors ¹⁷⁴. As a result, Islamist concepts have begun to serve as a justification for modernization projects that often do not correspond to the original axiological foundations of Sharia.

The modern reinterpretation of Islamic principles has led to several challenges that risk distorting their original meaning and purpose. One of the key challenges is the secularization of Islamic jurisprudence. Contemporary Muslim thinkers, such as Hashim Kamali, propose expanding the list of maqasid to include values characteristic of Western modernity, such as democracy, technological progress, and social welfare.¹⁷⁵ As a result, instead of preserving the religious foundations of maqasid, they become a tool for legitimizing secular concepts. Adi Setia warns that this process undermines the internal logical integrity of Islamic law and leads to its erosion.¹⁷⁶

Another issue is the financialization of maslahah. In Islamic banking, traditional contract models such as Murabaha, Mudarabah, and Ijara have been adapted to modern financial schemes, often losing their original purpose.¹⁷⁷ Mufti Muhammad Taqi Usmani criticizes this trend, arguing that Islamic banks, in pursuit of profit, have begun to rely on formal legal tricks, effectively turning Islamic financial products into equivalents of interest-bearing loans. He emphasizes that this has led to “legal manipulation” of contracts, which ultimately undermines the very essence of the Islamic financial system.¹⁷⁸

Lastly, there is the problem of reducing halal to a mere ritual. The modern halal industry primarily focuses on the technical aspects of compliance with Sharia requirements, such as the absence of pork or alcohol, while ignoring broader environmental, ethical, and social concern.¹⁷⁹ However, the Islamic concept of halal-tayyib (permissible and pure) requires consideration of not only legal but also moral aspects of production and consumption.

¹⁷⁴ Wael B. Hallaq, **Shari‘a: Theory, Practice, Transformations**, Cambridge: Cambridge University Press, 2009.

¹⁷⁵ Mohammad Hashim Kamali, **Principles of Islamic Jurisprudence**, Cambridge: Islamic Texts Society, 2003.

¹⁷⁶ Setia, *Freeing Maqasid and Maslaha from Surreptitious Utilitarianism*, 2016.

¹⁷⁷ Muhammad Taqi Usmani, **An Introduction to Islamic Finance**, Karachi: Idara Isha’at-e-Diniyat, 1999.

¹⁷⁸ Ibid.

¹⁷⁹ Noor Fatima Kareema Iqbal, “From Permissible to Wholesome: Situating Halal Organic Farms within the Sustainability Discourse,” **Islamic Sciences**, Vol.13, No:2 (2015), p.157–177.

To restore the true essence of Islamic thought and practice, it is necessary to critically reassess modern influences and realign institutions with authentic Islamic principles. A critical analysis of Western concepts is essential. Before attempting to integrate Western economic, political, and social theories into the Islamic paradigm, it is necessary to systematically deconstruct and analyze them.¹⁸⁰ This requires the expertise of specialists in *usul al-fiqh* and philosophy who can identify conceptual inconsistencies and ensure that any adaptation aligns with Islamic principles.

Another crucial step is the ethical reform of Islamic institutions. Modern Islamic economic and legal institutions should not seek to imitate Western systems but should instead develop alternative structures based on the principles of justice (*'adl*) and spiritual well-being (*falah*).¹⁸¹ This could involve fostering cooperative economic models that emphasize mutual support, fair distribution of resources, and environmental sustainability, ensuring that Islamic ethics remain at the core of economic and legal frameworks.

Finally, the independence of scholars and ulema is vital. Islamic scholars and muftis must free themselves from the influence of political and corporate interests so that their legal decisions are not dictated by material gains.¹⁸² To achieve this, independent academic and fatwa institutions should be established and funded by public resources rather than by state or commercial entities, ensuring that Islamic jurisprudence remains rooted in integrity and spiritual authenticity.

The modern trend of adapting *maqasid* and *maslaha* to Western utilitarianism represents a serious challenge to the Islamic intellectual tradition.¹⁸³ Preservation of the Islamic ethical and legal system requires not only the rejection of uncritical borrowing of foreign concepts, but also the active development of our own theories and models that will correspond to the genuine values of the Sharia. Thus, liberating *maqasid* and *maslaha* from hidden utilitarianism is an important task for modern Muslim society.

¹⁸⁰ Wael B. Hallaq, **The Impossible State: Islam, Politics, and Modernity's Moral Predicament**, New York: Columbia University Press, 2012.

¹⁸¹ Usman Hayat and Adeel Malik, **Islamic Finance: Ethics, Concepts, Practice**, Charlottesville, VA: CFA Institute Research Foundation, 2014.

¹⁸² Hallaq, *Sharia: Theory, Practice, Transformations*, 2009.

¹⁸³ Setia, *Freeing Maqasid and Maslaha from Surreptitious Utilitarianism*, 2016.

2.3 Islamic Gift Economy as an Alternative

2.3.1 Islamic Gift Economy: Concept, Application, and Benefits

IGE is a model of economic interaction based on the principles of voluntary giving, resource redistribution, and social responsibility. It is founded on mechanisms established in Islamic law (fiqh), which regulate religious, social, and commercial aspects of exchange.¹⁸⁴ These mechanisms include both obligatory and voluntary donations, such as zakat (mandatory almsgiving), sadaqah (voluntary charity), hiba (gifting), infaq (spending for good causes), as well as inheritance law (faraid/irith), wills (wasiyyah), interest-free loans (qard hasan), and systems of business cooperation, including leasing (ijarah), venture financing (mudarabah), and business partnerships (musharakah).

A key distinction of the IGE is that it emphasizes the transfer of wealth and service to society rather than profit maximization. Islamic economic law prioritizes public welfare (maslaha ‘amma) over individual interests (maslaha nafsiyyah). This means that even in commercial activities, collective benefit is considered rather than solely private gain. The principle of redistribution is evident, for instance, in Islamic inheritance law, which ensures that even the most wealth-accumulating individuals are required to pass on a significant portion of their assets to relatives, rather than keeping everything at their sole disposal. Similarly, the zakat system obligates wealthy Muslims to support socially vulnerable groups, thereby contributing to the redistribution of wealth within society.¹⁸⁵

Even in commercial relationships, the gift economy remains a key concept. For example, in the musharakah system, investors and entrepreneurs pool their resources and share not only profits but also risks, making them partners rather than competitors. Similarly, in mudarabah, investors provide capital while entrepreneurs contribute their knowledge and skills, creating a foundation for mutual success without exploiting either party.¹⁸⁶

IGE differs from Islamic banking and other forms of financial relations in that it is not focused on wealth accumulation or personal gain. While Islamic banking is based on principles of fair

¹⁸⁴ Setia, “The Islamic Gift Economy: A Brief Conceptual Outline,” *Waqf Academy*, March 2013, <https://www.waqfacademy.org/wp-content/uploads/2013/03/Dr.-Adi-Setia-AS.-Date.-IGE.-A-brief-conceptual-outline.-Malaysia.-INSPEM.pdf>, (May 8, 2025)

¹⁸⁵ Fatima AlMatar, “Zakat vs. Taxation: The Issue of Social Justice and Redistribution of Wealth,” **European Journal of Business, Economics and Accountancy**, Vol.3 (2015) p.45–56.

¹⁸⁶ Ayub, *Understanding Islamic Finance*, 2014.

profit distribution and the prohibition of usury, the gift economy emphasizes redistribution and collective responsibility. Its principles extend beyond financial transactions to include social support, assistance to those in need, and the strengthening of community bonds.

The primary advantage of the IGE is its ability to reduce social inequality and strengthen solidarity within society. It lowers poverty levels through resource redistribution, creates support mechanisms for vulnerable groups, and stimulates economic activity through *waqf* endowments and interest-free loans. Moreover, it promotes sustainable development by eliminating speculative and usurious practices, focusing instead on the real sector of the economy. Thus, IGE is an integral part of the Islamic economic model, contributing to the creation of a just society. Its mechanisms ensure efficient resource redistribution, uphold social responsibility, and shape an economy based on the principles of collective well-being.

2.3.2 Reconnecting the Economy and Communities in Islamic Gift Economy

The concept of *fard al-kifayah* plays a central role in IGE. This principle, which means collective obligation (a duty performed by a group of people that exempts others from fulfilling it), is important for ensuring the sustainable development of communities. Combined with the principles of *muamalat* (Islamic economic interactions) and *maslaha* (public good), *fard al-kifayah* creates the basis for a just and self-sufficient society¹⁸⁷. Imam al-Ghazali argued that the economy of a society should be organized in such a way that different people take on different tasks, providing society with the necessary services and products. This prevents monopolization of resources and promotes a fair distribution of wealth.¹⁸⁸ *Muamalat* covers the rules of trade, financial transactions and business relationships. The main principles of *mu'amala* include honesty and transparency; transactions must be fair and honest, prohibition of usury (*riba*), financial transactions must exclude unfair benefits, ethics of production and consumption, goods and services must be useful and comply with Islamic standards¹⁸⁹. The modern economy is increasingly moving towards global corporations and centralized financial structures, which contradicts the principles of *muamalat*, which are focused on the local

¹⁸⁷ Adi Setia, "Fard al-Kifayah, Mu'amala, and the Commonweal," **Islamic Sciences**, Vol.11, No.1 (2013), p.1–24.

¹⁸⁸ Al-Ghazali, *Kitab Adab al-Kasb wal-Ma'ash*, 1111

¹⁸⁹ Setia, *The Ethics of Mu'amala in Economic Transactions*, 2010

economy and the autonomy of communities. It is important to restore local market systems and support cooperative models that ensure the well-being of all participants in society¹⁹⁰.

There is also the problem of dependence on external markets. An example of the destruction of the local economy is the situation in the village, where local residents having fertile lands are completely dependent on food supplies from large cities. Despite the possibility of ensuring food security through organic farming and local exchange, the economic system is oriented towards the external market.¹⁹¹ This state of affairs leads to loss of traditional knowledge and skills, bias towards low-paid jobs in cities, weakening of social ties and a sense of responsibility for the community. To restore the local economy, it is necessary to develop cooperative farms, local markets and mutual aid systems based on muamalat and fard al-kifaya.¹⁹² Fard al-kifaya, when combined with the principles of muamalat, can form the basis for a fair, sustainable IGE focused on the public good. However, this requires: (i) restore local economic structures, (ii) revise the education system towards the Islamic economic model, (iii) strengthen the ethics of entrepreneurship, aimed not only at profit, but also at the benefit of society. Islamic economics is not limited to Islamic finance, it is a holistic system aimed at creating a society in which the economy serves people, and not vice versa.¹⁹³

2.3.3 Tabarruat and Hibah in the Islamic Gift Economy

Tabarruat (voluntary charitable acts) play a crucial role in the IGE, which emphasizes wealth circulation, social solidarity, and ethical finance. Unlike conventional market transactions driven by profit, the IGE encourages selfless giving to strengthen communal bonds and ensure wealth distribution in a just and compassionate manner.¹⁹⁴ In legal terms, tabarru' refers to the voluntary transfer of wealth or its benefits to others without expecting compensation, with the intention of doing a righteous deed. Islamic jurists classify tabarru' as a broad category of transactions that include wasiyyah (bequests), waqf (endowments), hibah (gifts), ariyah (temporary use), and qarḍ (interest-free loans). All these forms are acts of kindness and piety.¹⁹⁵

¹⁹⁰ Jeffrey Jacob, **New Pioneers: The Back-to-the-Land Movement and the Search for a Sustainable Future**, University Park, PA: Pennsylvania State University Press, 1997.

¹⁹¹ Setia, Fard al-Kifaya, Mu'amala, and the Commonweal, 2013.

¹⁹² Michael H. Shuman, **Going Local: Creating Self-Reliant Communities in a Global Age**, New York: Routledge, 2000.

¹⁹³ Setia, Fard al-Kifaya, Mu'amala, and the Commonweal, 2013.

¹⁹⁴ Setia, **The Islamic Gift Economy**, 2013.

¹⁹⁵ Mohammed Farid Ali al-Fijawi, Maulana Akbar Shah, U. Tun Aung, Alizaman Dumangcag Gamon and Mariam Saidona Tagoranao, "Philanthropy (Tabarru'at) in Islam and Its Four Shari'ah Objectives." **World Journal of Islamic History and Civilization**, Vol.8, No.2, p.49–56.

Thus, tabarruat represents selfless generosity aimed at fostering social good and justice, reinforcing the ethical foundations of the Islamic economy.

The core of tabarruat is selfless generosity, motivated by care rather than personal gain. True righteousness, as emphasized in the Qur'an, is not just about rituals but also about compassion and social responsibility:

“Righteousness is not in turning your faces towards the east or the west. Rather, righteousness is to believe in Allah, the Last Day, the angels, the Book, and the Prophets; to give wealth—out of love for Him—to relatives, orphans, the needy, travelers, beggars, and to free slaves; to establish prayer and give zakat; to fulfill promises; and to be patient in hardship and adversity. These are the true believers.” (2:177)¹⁹⁶

This verse highlights that righteousness includes aiding others, relatives, orphans, and those in need driven by sincerity and love, not self-interest. To formalize tabarruat, four key components must be present: Donor, Recipient, Gifted Item and Declaration of Intent. Each element has specific conditions, and their fulfillment ensures the contract's validity.¹⁹⁷ These conditions vary based on the type of tabarruat and are detailed in Islamic jurisprudence. If the contract meets its conditions, ownership or benefit transfer depends on the gift type: Wasiyyah (bequest): ownership transfers after the donor's death, ariyah (loaned item): the recipient gains usage rights, not ownership and waqf (endowment): the asset is dedicated for charitable purposes.¹⁹⁸ These foundational aspects of tabarruat set the stage for exploring its objectives. Tabarruat aligns with the higher objectives of Shariah, fostering mutual support in society. It benefits individuals and communities by aiding the needy, supporting education, preserving the environment, and promoting unity. However, human greed leading to selfishness and deceit threatens social well-being. By encouraging tabarruat, Shariah not only promotes generosity but also safeguards against corruption.¹⁹⁹

¹⁹⁶ *Quran 2:177 (Surah al-Baqarah).*

¹⁹⁷ Mohammed Farid Ali, “Modern Applications of Hibah in the Light of Shari‘ah Objectives of Gift and Donation Contracts (Al-Tabarru‘at),” **Islamic Sciences**, Vol.13, No.1 (2015), p.75–104.

¹⁹⁸ *Ibid.*

¹⁹⁹ Bohari Arshad, “Tabarru’ Taste: A Centralized Hub for Unifying Shariah-Compliant Efforts to Alleviate Poverty Through Food Redistribution,” **Journal of International Business, Economics and Entrepreneurship** Vol.10, No.1 (2023), p.21–32.

Hibah literally means conveying a benefit to someone without any consideration for return.²⁰⁰ Originally, Hibah was an individual practice, but today organizations also engage in charitable gifting, aligning with the Islamic principle of mutual help. Hibah embodies Ihsan (beneficence), a core Islamic value. It fosters generosity and strengthens social bonds. By promoting voluntary generosity, Hibah supports social welfare and strengthens communal ties. In business, hibah facilitates smooth transactions and ownership transfers. It is also widely used in Islamic finance, though some modern applications have sparked debates about their compliance with Shariah principles. Islamic financial institutions use hibah in various contracts, such as wadi'ah (as a token of appreciation for depositors) and qard (voluntary gifts from borrowers to lenders). While hibah can serve a positive purpose, benefiting recipients, it is sometimes misused as an alternative to riba. If hibah becomes a regular, institutionalized practice, its voluntary nature is lost, making it a disguised form of interest.

A key legal maxim states, contracts are judged by their purpose, not merely their wording. IFIs may label financial returns as hibah, but if they resemble riba, they remain impermissible.²⁰¹ The legitimacy of hibah depends on its ethical and charitable objectives, not its misuse for financial gain. Therefore, Islamic financial institutions must establish clear guidelines ensuring hibah is used only for positive purposes.

2.3.4 Zakat and Islamic Gift Economy

Zakat is not only a religious obligation for Muslims but also a key instrument in the IGE. The Islamic economic model is based on the principles of wealth redistribution, social justice, and solidarity. In this context, zakat serves as a crucial mechanism for redistributing wealth from affluent members of society to those in need. Its role goes beyond mere charity, as it represents a systematic and institutionalized process of financial redistribution aimed at supporting social stability and reducing economic inequality.²⁰²

The IGE is founded on principles of generosity, mutual assistance, and collective responsibility. Zakat, as one of its central elements, contributes to the establishment of a fair economic order where wealth does not remain concentrated in the hands of a few but is instead distributed for

²⁰⁰ Ali, *Modern Applications of Hibah in the Light of Shari'ah Objectives of Gift and Donation Contracts* (Al-Tabarru'at), 2015.

²⁰¹ Ismail, **Islamic Legal Maxims and Their Application in Islamic Finance**, Kuala Lumpur: CERT Publications, 2011.

²⁰² AlMatar, *Zakat vs. Taxation: The Issue of Social Justice and Redistribution of Wealth*, 2015.

the benefit of society as a whole. In this sense, it acts as a powerful tool for narrowing the social gap and encouraging economic participation among the less privileged. Zakat is paid annually at a rate of 2.5 percent of accumulated wealth, ensuring a steady flow of resources to support those in need.²⁰³

The essence of zakat extends beyond a simple economic transaction. In Islamic tradition, it is regarded as an act of spiritual purification that helps individuals detach from materialism and recognize their responsibility toward God and society. In this regard, zakat can be seen not only as an economic element but also as a moral and spiritual mechanism designed to strengthen social solidarity. It fosters a culture of sacrifice and collective well-being, making it a fundamental component of the IGE.²⁰⁴

From a practical perspective, zakat fulfills several key functions. Firstly, it serves as a means of wealth redistribution, ensuring that resources flow from affluent individuals to those in financial distress. This reduces poverty levels and enhances social stability. Secondly, zakat plays a crucial role in shaping a just economic system by preventing excessive wealth accumulation and creating conditions for balanced economic development. Thirdly, it has a social function, reinforcing societal bonds and reducing social tensions.²⁰⁵

In modern Islamic countries, the implementation of zakat varies. In some states, zakat is collected centrally through governmental or charitable organizations, ensuring its more efficient distribution. In others, it is paid individually, which poses challenges in monitoring and equitable allocation of funds.²⁰⁶ Regardless of the approach, zakat remains an essential economic tool for alleviating poverty and social vulnerability.

Despite its significance, the zakat system faces several challenges in the contemporary world. One of these is the difficulty in defining the categories of people eligible to receive zakat. In an era of globalization and economic transformation, new forms of poverty and need may emerge, necessitating a reassessment of traditional distribution methods. Additionally, there is the issue of uneven zakat collection and distribution, as not all Muslims fulfill this obligation

²⁰³ Fadzilah Johari, "Zakat: Changing the Framework of Giving," **International Journal of Ethics and Systems** Vol.37, No.3 (2021), p.313–327.

²⁰⁴ Ibid.

²⁰⁵ Louay Safi, "Islamic Law and the Spheres of Freedom," in **Islam and the Trajectory of Civilization**, ed. Louay Safi, New York: Routledge, 2020.

²⁰⁶ Sheriff Muhammad Ibrahim, "Review of the Contemporary Zakat Collection Systems from the Islamic Economic Policies," **International Journal of Business, Economics and Law**, Vol.5, No.3 (2014), p.1–10.

consistently.²⁰⁷ Consequently, some countries have implemented measures to institutionalize the collection and allocation of zakat, enhancing its efficiency and transparency.²⁰⁸

Zakat can also be viewed as part of a broader Islamic economic system, which includes principles such as the prohibition of usury (riba), the promotion of ethical investments, and the encouragement of charitable giving. The interaction of these elements forms the foundation for a sustainable economic system based on social justice and collective welfare. In this context, zakat plays a pivotal role in ensuring a continuous flow of financial resources to support social initiatives and aid programs for the less fortunate.²⁰⁹

Thus, zakat is an integral part of the IGE, serving not only as a means of material support for the needy but also as a tool for spiritual and social development. Its significance extends beyond the religious sphere, transforming it into a vital element of economic policy aimed at fostering a more just and sustainable society. In today's world, where social inequality remains one of the most pressing global challenges, the principles of zakat could be beneficial not only in Islamic countries but also in the broader global economic system, where the issues of fair resource distribution and social responsibility are becoming increasingly relevant.

2.3.5 Waqf and Islamic Gift Economy

Waqf, the Islamic endowments system, is a good example of a socio-economic apparatus that could cross the boundaries between the civil, the social, the economic and the political in different Islamic contexts. Literally, waqf means money restricted to specific purposes, so it cannot be redirected by a governmental authority for any other use. It represents an individual's donation for public purposes. Islamic jurisprudence gave this money full civil, legal, and political protection. Waqf is one of the central institutions of the IGE, representing non-saleable endowment property used for public purposes.²¹⁰ For centuries, this institution has provided funding for schools, hospitals, roads, religious buildings, and social welfare, playing a key role in shaping civil society. It is rooted in the teachings of the Prophet Muhammad, who said that the dead can still be rewarded by Allah in numerous ways; for example, if their pious children

²⁰⁷ Mastura Razali, "Issue and Challenges on Zakat Refund Distribution," **International Journal of Academic Research in Business and Social Sciences**, Vol.12, No.9 (2022), p.1746–1755.

²⁰⁸ Ibid.

²⁰⁹ Johari, Zakat: Changing the Framework of Giving, 2021.

²¹⁰ Adi Setia, "Waqf and the Civic Economy," **Islamic Sciences**, Vol.12, No. (2014), p.89–103.

prayed for them, or the dead person bequeathed knowledge of benefit to humankind, or she or he allocated money to serve public purposes.

Historically waqfs mushroomed to serve the needs of society and provide it with capital that would keep it empowered vis-à-vis the state. These funds were directed to all spheres of social welfare and addressing the needs of society in every domain. Waqfs were the result of individual will, which turned metaphysical notions of life after death into a motivation for civil action, initiated and implemented by the people. It became common to dedicate Waqfs to the memory of one's parents, a practice that helped turn death into a constructive force for civil action.

Historical sources such as the works of Ibn Khaldun show that the waqf did not function as a static system, but as a dynamic mechanism adapting to socio-economic conditions. In the Ottoman Empire, for example, the waqf became a powerful economic force, ensuring the independence of civil society from the centralized state.²¹¹ Ahmad al-Qasimi points out that the waqf was not a “frozen” asset, as orientalists claim, but a dynamic system that changed according to the needs of society. It was also protected from state interference, which allowed it to maintain its independence²¹².

Islamic jurists and courts maintained the independence of Waqfs from the state-dominated political sphere.²¹³ This in turn, helped the balance of power, because the judiciary was funded by the Waqf and therefore remained independent from the state. Waqf supported progressive social and environmental causes, including, for example, shelters for women subject to domestic violence, building of schools and hospitals, assistance to the poor, orphans and elderly, the provision of clean water, cleaning of streets, care for abandoned animals and seed for birds in public squares. Waqf institutions supported Muslim civil society from Morocco to India and Indonesia, offering a model of combined religious and civil associations, which was adopted by Christian and Jewish communities within the Muslim world.²¹⁴

²¹¹ Miriam Hoexter, **Endowments, Rulers and Community: Waqf al-Ḥaramayn in Ottoman Algiers**, Leiden: Brill, 1998.

²¹² Adi Setia, “Waqf, Civil Society and Civic Economy,” **AWQAF: Journal of Waqf and Charitable Institutions**, Vol.12 (2010), p.29–48.

²¹³ Safi, *Islamic Law and the Spheres of Freedom*, 2020.

²¹⁴ Adi Setia, “Reintegrating the Legal into the Social: Reviving Islamic Transactional Law in the Context of the Civil Economy, with Special Reference to Waqf,” **The Law and Development Review** Vol.11, No.1 (2018), p.1–36.

However, the colonial policies of the 19th and 20th centuries led to a significant weakening of the waqf institution, as state authorities began to control and secularize its assets. As a result, the modern waqf often functions as part of Islamic finance rather than as an autonomous civil institution²¹⁵. Many modern waqfs function as investment funds managed by large corporations rather than as civil society institutions, leading to their neoliberal co-optation. This shift has altered their original purpose, prioritizing financial returns over social welfare. In addition, modern reforms of waqfs often lead to their incorporation into the neoliberal market system, thus depriving them of their original purpose²¹⁶. Another major challenge is the loss of autonomy, as state control over waqfs has weakened their connection with local communities. To improve efficiency and transparency, it is essential to return their management to the local level, allowing for greater responsiveness to community needs.²¹⁷

A civil economy is an economy based on public participation, local initiatives and cooperation. Unlike the neoliberal model, where market forces govern all aspects of life, a civil economy assumes autonomous management of resources at the community level.²¹⁸ The connection between waqf and civil economy is expressed in: financing projects aimed at sustainable development and social equality, supporting local production independent of transnational corporations, the development of indirect charitable systems such as interest-free loans and cooperative farms.²¹⁹ Historically, waqf allowed Muslim societies to function independently of the state, creating a sustainable environment for a common good economy.

Waqf can be either a formal legal structure, similar to a secular charitable trust, or part of a holistic Islamic economic model. In the first case, it loses its social and ethical essence, becoming only a tool integrated into the neoliberal system.²²⁰ In the second case, it serves the public good, supporting social justice and solidarity.²²¹ It is important not only to preserve the form of the waqf, but also its essence, avoiding its transformation into a commercial financial product, as is already happening with monetary waqfs. Legal mechanisms must comply with

²¹⁵ Mahmoud A. El-Gamal, **Islamic Finance: Law, Economics, and Practice**, Cambridge: Cambridge University Press, 2006.

²¹⁶ Hoexter, *Endowments, Rulers and Community*, 1998.

²¹⁷ Yasin Dutton, **The Origins of Islamic Law: The Qur'an, the Muwatta and Madinan 'Amal**, Richmond: Curzon Press, 1999.

²¹⁸ Mohammad A. Bamyeh, "Civil Society and the Islamic Experience," **ISIM Review**, No.15 (2005), p.10–11.

²¹⁹ Adi Setia, "Mu'amalah and the Revival of the Islamic Gift Economy," **Islam and Science** Vol.9, No.1 (2011), p.57–72.

²²⁰ Mark Martinez, **The Myths of the Free Market: The Role of the State in a Capitalist Economy**, Kumarian Press, 2009.

²²¹ Setia, *Mu'amalah & the Revival of the Islamic Gift Economy*, 2011.

the goals of Sharia and not be a way to circumvent its norms.²²² The revival of waqf is possible even within the framework of secular laws if they are used for real public benefit.²²³ Additionally, new forms of waqf are emerging to address contemporary challenges. Social waqfs dedicated to sustainable development and environmental protection represent an innovative approach to philanthropy, aligning with global concerns about ecological sustainability. Furthermore, the development of digital waqfs offers new opportunities for financing start-ups and innovative projects, leveraging technology to enhance waqf's role in economic and social progress.²²⁴

Waqf can be seen as a private initiative for the benefit of society: funds are allocated, invested, and directed towards social goals without return. For its successful revival, it is important to integrate it into the system of social economy, the third sector between the state and the profit-oriented market.²²⁵ IGE is based on the principles of priority of public good over profit, autonomy of control, democratic decision making and redistribution of income in favor of society. This includes cooperatives, funds, and enterprises with a social mission. They can include obligations to society in their charter documents, which makes them part of social entrepreneurship, an activity aimed at solving social problems through business initiatives. Thameena Anwar's research suggests that the integration of waqf into this format could be the key to its effective revival.²²⁶

Private initiatives in the public interest, including public-private partnerships, include structures such as social enterprises, community foundations, cooperatives, interest-free loans, and public baitul-mal. These models can be used effectively to revive waqf, even in countries where it has no formal legal status. Modern waqf can be integrated into the social economy through existing legal forms, including public trusts, social impact funds, and crowdfunding platforms. Building on the concept of "invisible structures", hybrid models can be created that combine traditional Islamic principles with modern economic mechanisms.²²⁷ The absence of official recognition of the waqf does not prevent its actual functioning. The use of flexible legal solutions allows it

²²² Muhammad Imran Ismail, **Legal Stratagems (Hiyal) and Usury in Islamic Commercial Law**, PhD thesis., University of Birmingham, 2010.

²²³ David Billis, **Hybrid Organizations and the Third Sector: Challenges for Practice, Theory and Policy**, Basingstoke: Palgrave Macmillan, 2011.

²²⁴ Michele Palazzi, **Beyond Market and State: The "Civic" Economy**, London: Progressio Foundation, 2011.

²²⁵ Billis, *Hybrid Organizations and the Third Sector*, 2011.

²²⁶ Thamina Anwar, **Waqf (Endowment): A Vehicle for Islamic Social Entrepreneurship**, Kuala Lumpur: IBFIM, 2017.

²²⁷ Bill Mollison, **Permaculture: A Designer's Manual**, Tyalgum: Tagari Publications, 2004.

to be adapted to modern economic realities, while maintaining socio-religious goals and ensuring sustainable development.

Waqf is not just a religious instrument of charity, but a key mechanism of IGE capable of ensuring social justice and sustainable development. However, its modern form often departs from these principles in favor of financial gain. To restore waqf as an instrument of civil society, it is necessary to review its governance structure, restore autonomy to communities, and direct funds to support the economy of the common good. Only in this way can waqf once again become the basis of a sustainable Muslim society.²²⁸ The institution of waqf, a long-standing mechanism for charitable endowments in Islamic tradition, faces significant modern challenges that necessitate reform. A reform of waqf management is necessary to restore their social focus, ensuring that they serve communities rather than purely economic interests.²²⁹

2.3.6 Sadaqah and Islamic Gift Economy

Sadaqah, an essential concept in Islamic teachings, represents voluntary charitable giving beyond the obligatory zakat. As a key component of the IGE, sadaqah plays a crucial role in fostering social welfare, reducing economic disparity, and strengthening communal solidarity. Unlike zakat, which is obligatory and subject to specific conditions, sadaqah is purely voluntary and can be given in any amount, at any time, and to any recipient in need. This flexibility makes sadaqah an effective tool for addressing immediate social and economic challenges, reinforcing the moral and ethical principles that underpin Islamic economic thought.²³⁰

The concept of sadaqah is deeply rooted in Islamic ethics, emphasizing generosity, compassion, and selflessness. In Islamic tradition, sadaqah is not limited to financial contributions but encompasses a wide range of benevolent acts, including offering a helping hand, sharing knowledge, and even expressing kindness through words and actions.²³¹ This broad definition highlights the intrinsic link between economic behavior and moral responsibility, demonstrating that wealth and resources should be used for the betterment of society. The Qur'an and Hadith extensively emphasize the virtues of sadaqah, portraying it as a means of purifying wealth, nurturing the giver's soul, and fostering a more equitable society.

²²⁸Setia, *Waqf and the Civic Economy*, 2014.

²²⁹Johari, *Zakat: Changing the Framework of Giving*, 2021.

²³⁰ M. Ali, "The Classical Islamic View of Sadaqah: A Preliminary Study," **International Journal of Islamic Economics and Finance Research**, Vol.1, No.1 (2018), p.45–60.

²³¹ Mohammed Abu-Nimer, **Nonviolence and Peace Building in Islam: Theory and Practice**, Gainesville: University Press of Florida, 2003.

From an economic perspective, sadaqah serves multiple functions in the IGE. Firstly, it acts as a stabilizing force by redistributing resources from wealthier individuals to those in need. Unlike zakat, which follows a structured mechanism of wealth transfer, sadaqah allows for spontaneous and targeted assistance, addressing urgent social needs without bureaucratic constraints. This immediacy makes sadaqah particularly effective in times of crisis, such as natural disasters, economic downturns, or personal hardships. Through sadaqah, individuals can directly contribute to the well-being of their communities, reinforcing the Islamic principle of collective responsibility.²³²

Secondly, sadaqah contributes to economic growth by promoting social cohesion and reducing financial distress. By alleviating poverty and enabling access to basic necessities, sadaqah empowers recipients to participate more actively in economic activities. Many charitable organizations and waqf (Islamic endowments) utilize sadaqah funds to finance educational programs, healthcare initiatives, and entrepreneurial projects, providing long-term socio-economic benefits. This approach aligns with the Islamic economic vision, which prioritizes sustainable development and the equitable distribution of wealth.²³³

In addition to its economic implications, sadaqah holds profound spiritual significance. It is considered an act of worship and a means of earning divine reward, reinforcing the idea that financial success is a test of moral character rather than a personal entitlement. The concept of sadaqah jariyah, or ongoing charity, further illustrates the enduring impact of charitable giving. Acts such as building schools, funding water wells, or supporting orphanages continue to benefit society long after the initial contribution, ensuring a continuous cycle of goodwill and prosperity. This perpetual nature of sadaqah reflects the long-term vision of the Islamic economic system, which seeks to balance material wealth with ethical considerations.

Despite its numerous benefits, the practice of sadaqah faces several challenges in the modern economic landscape. One of the primary issues is the lack of effective institutional frameworks for collecting and distributing voluntary charity. While many Islamic organizations facilitate sadaqah contributions, the absence of standardized regulations can lead to inefficiencies and mislocation of funds. Enhancing transparency and accountability in charitable organizations is crucial to maximizing the impact of sadaqah and ensuring that donations reach the intended beneficiaries. Additionally, raising awareness about the socio-economic potential of sadaqah

²³² Saheed Abdullahi Busari, Jelili Adegboyega Adebisi, and Miszairi Sitiris, "Accessibility and Perceived Effect of Sadaqah on Student Situational Poverty during COVID-19 Pandemic," **Journal of Islamic Accounting and Business Research**, Vol.16, No.1 (2025), p.22–40.

²³³ Ibid.

can encourage greater participation and foster a culture of giving within Muslim communities.²³⁴

Furthermore, integrating sadaqah into modern financial systems presents both opportunities and challenges. The rise of digital platforms and crowdfunding initiatives has made it easier for individuals to contribute to charitable causes globally. However, ensuring that these funds are managed ethically and in accordance with Islamic principles requires robust oversight mechanisms. Islamic financial institutions can play a significant role in promoting sadaqah by offering structured charitable investment products and facilitating transparent donation channels.²³⁵

In conclusion, sadaqah embodies the core values of the IGE, serving as a vital instrument for wealth redistribution, social justice, and spiritual fulfillment. Its voluntary nature allows for flexible and responsive charitable giving, addressing both immediate and long-term socio-economic needs. By integrating sadaqah into broader economic strategies and strengthening institutional support, its transformative potential can be fully realized. In an era marked by increasing social inequality and economic uncertainty, the principles of sadaqah offer a timeless model for fostering compassion, solidarity, and sustainable development in both Muslim societies and the global community at large.

²³⁴ Monzer Kahf, “The Role of Waqf in Improving the Ummah Welfare,” paper presented at the **International Seminar on Waqf as a Private Legal Body**, Medan, Indonesia, March 2003.

²³⁵ Noor A. Mohamad Kasri and Ahmad Hafiz Mustaque, “The Role of Islamic Crowdfunding Platforms in Promoting Financial Inclusion: A Conceptual Framework,” **International Journal of Islamic and Middle Eastern Finance and Management**, Vol.14, No.3 (2021), p.437–453.

3 RESEARCH DESIGN AND CASE STUDY ANALYSIS IN THE ISLAMIC GIFT ECONOMY IN SOUTHEAST ASIA

3.1 Methodology

This section outlines the methodological framework adopted in this study, which explores the practical implementation of the IGE in Southeast Asia. The primary aim of this research is to examine how core principles of the IGE, such as voluntary giving, community cooperation, and ethical redistribution are applied in real-world settings, and what socio-political and institutional factors shape their development. To achieve this, a qualitative case study methodology was employed, offering a holistic and context-sensitive approach suitable for exploring complex social phenomena in their natural environment.

3.1.1 Research Design

This research adopts a multiple-case study design with a descriptive orientation. The multiple-case approach was chosen to allow for a comparative analysis between different institutional and cultural contexts within Southeast Asia, specifically Malaysia and Indonesia. These cases were selected not only due to their relevance to Islamic economic practice, but also because they offer contrasting policy environments and institutional frameworks for the application of the IGE.

The descriptive case study type was considered most appropriate because the primary aim of this research is to provide a detailed and contextualized account of how IGE principles are practiced and institutionalized. Rather than testing a hypothesis or developing causal explanations, the study seeks to describe the mechanisms, actors, and structures involved in operationalizing IGE models in real-world conditions. This aligns with the nature of the research questions, which are exploratory and practice-focused, aimed at understanding "how" and "in what context" certain IGE initiatives function.

The case study method is particularly suitable for examining contemporary social phenomena within their natural settings, especially when the boundaries between phenomenon and context are not clearly defined. IGE is a complex and multifaceted concept that exists at the intersection of ethics, religion, economics, and community development. As such, a qualitative, case-based

approach allows for the depth and flexibility needed to capture its institutional diversity, social embeddedness, and evolving character.

This design enables the study to document not only what is happening in each case but also how Islamic principles are interpreted and adapted in context. Through this method, the research offers grounded insights that go beyond normative theory and contribute to the empirical understanding of IGE in the modern world.

3.1.2 Case Selection and Justification

This study employs a multiple-case selection strategy, focusing on Malaysia and Indonesia as two of the most dynamic and institutionally mature environments for the practice of the IGE in Southeast Asia. These countries were chosen based on several criteria: relevance, accessibility of data, institutional diversity, and their representativeness as models of Islamic economic experimentation in modern pluralistic societies.

Malaysia was selected due to its advanced and state-integrated zakat and waqf systems, as well as its efforts to institutionalize Islamic social finance under national policy frameworks. Organizations such as Pusat Pungutan Zakat (PPZ) and Yayasan Waqaf Malaysia (YWM) provide formalized mechanisms for voluntary redistribution, while banks like Bank Islam have developed hibah-based crowdfunding and social impact initiatives. Malaysia's legal pluralism, federal-state dynamics, and state-supported Islamic economic agenda make it an instructive case for studying government-led IGE implementation.

Indonesia, on the other hand, offers a contrasting yet equally valuable perspective. As the world's most populous Muslim-majority nation, it features a strong civil society and a decentralized zakat and waqf system, where Islamic NGOs such as Dompot Dhuafa and Rumah Zakat play a leading role. Its philanthropic sector is driven more by community-based, grassroots engagement than centralized state policy. This bottom-up approach highlights the role of social movements, religious networks, and local trust in the development of IGE models.

The inclusion of both cases provides balance: Malaysia represents a state-institutionalized model, while Indonesia showcases a civil society-led approach. Together, they capture a broad spectrum of IGE practice, offering valuable insights into how Islamic values of gifting and mutual support are operationalized under different governance structures and socio-political environments.

Furthermore, both cases are accessible in terms of data availability, language, and policy documentation. They are also frequently cited in the literature on Islamic social finance, which reinforces their relevance to the overall goals of this research.

3.1.3 Data Collection Methods

This study relied on qualitative document analysis as the primary method of data collection. Documents were gathered from official sources such as zakat and waqf agencies, Islamic NGOs, and crowdfunding platforms in Malaysia and Indonesia. Key materials included annual reports, policy documents, websites, fatwas, and institutional evaluations.

Secondary sources included academic literature and case studies relevant to Islamic economics and social finance. This method was chosen due to its suitability for case-based research and the availability of rich textual data. As no human participants were involved, formal consent procedures were not required. Ethical standards were upheld through proper citation, exclusion of private data, and responsible interpretation of institutional content.

3.1.4 Data Analysis

The collected data were analyzed using thematic analysis, allowing for the identification of recurring patterns related to the implementation of the IGE. The process began with open coding of key documents to extract relevant concepts, followed by categorization into thematic clusters such as institutional structure, funding mechanisms, Islamic values, governance, and community impact.

Themes were developed iteratively, with regular cross-checking of interpretations to ensure consistency and depth. Where possible, findings from different cases were compared to highlight similarities and contextual differences. Analytical rigor was maintained through repeated reading, structured coding, and triangulation across multiple sources. This approach ensured a comprehensive and reliable interpretation of how IGE functions in practice.

3.1.5 Validity

To ensure the credibility and trustworthiness of the research, several strategies were employed. Triangulation of multiple data sources, including institutional reports, academic literature, and policy documents helped verify consistency and enhance credibility. Detailed

contextual descriptions of each case support transferability by allowing readers to assess the relevance of findings to other settings.

Dependability was addressed through a clear and transparent research design, with each stage of data collection and analysis documented systematically. Although direct participant feedback (member checking) was not possible, the use of published institutional narratives helped validate interpretations. To support confirmability, efforts were made to minimize researcher bias by relying on publicly available and verifiable sources, avoiding subjective assumptions, and maintaining neutrality in interpreting data.

3.1.6 Limitations

This study has several limitations. First, it relies solely on document analysis, without primary fieldwork or interviews, which limits direct insights from practitioners or beneficiaries. Second, the focus on two countries means the findings may not be fully generalizable to other regions with different legal, cultural, or institutional contexts. Third, access to internal institutional data was limited, so the analysis is based only on publicly available sources, which may reflect official narratives more than on-the-ground realities.

These limitations were addressed by using diverse and cross-verified sources, providing rich contextual detail, and focusing on depth rather than breadth. Despite these constraints, the research offers valuable insights into how the IGE operates in real settings and lays a foundation for future empirical studies.

3.2 Socio-economic Context of Southeast Asia

This chapter explores the socio-economic landscape of Southeast Asia as the backdrop for the development and implementation of the IGE. It focuses particularly on Malaysia and Indonesia, where zakat, waqf, and sadaqah are widely practiced by Muslim communities. To understand how these mechanisms operate in practice, it is important to examine the broader economic and social conditions in the region, including poverty levels, income inequality, and access to education and employment.

Southeast Asia comprises eleven countries with diverse economic profiles, political systems, and religious demographics. The region includes high-income countries like Singapore and Brunei, upper-middle-income countries like Malaysia and Thailand, and lower-income nations such as Cambodia and Myanmar. Among them, Indonesia and Malaysia stand out due to their

Muslim-majority populations and the institutional presence of Islamic charitable practices.²³⁶

Figure 3.1 is a general map showing the geographic scope of Southeast Asia:



Figure 3.1: Geographical Map of Southeast Asia.²³⁷

To better understand the challenges and opportunities for the IGE, the following Table 3.1 presents key socio-economic indicators from selected countries in the region, based on data from IMF reports.²³⁸

²³⁶ Pew Research Center, “Religious Landscape and Change in South and Southeast Asia,” September 12, 2023, <https://www.pewresearch.org/religion/2023/09/12/religious-landscape-and-change-in-south-and-southeast-asia/>, (May 8, 2025)

²³⁷ Encyclopedia Britannica, “Southeast Asia,” last modified 2025, <https://www.britannica.com/place/Southeast-Asia>, (May 8, 2025)

²³⁸ International Monetary Fund, Regional Economic Outlook: Asia and Pacific, *November 2024*, <https://www.imf.org/en/Publications/REO/APAC/Issues/2024/11/01/regional-economic-outlook-asia-and-pacific>, (May 8, 2025)

Table 3.1: Key Socio-Economic Indicators of Selected Southeast Asian Countries (2023).

Country	Population (million)	Poverty Rate (%)	Unemployment (%)	GDP per Capita (USD)	Gini Index
Indonesia	276	9.5	16.4	4,580	36.1
Malaysia	33	5.0	11.7	11,415	40.7
Thailand	71	6.3	6.5	7,233	34.9
Vietnam	99	4.8	6.9	4,163	36.1
Philippines	113	18.1	14.1	3,950	40.7

Malaysia and Indonesia stand out from the other countries in the region due to their distinct combination of socio-economic characteristics and structural challenges. Indonesia differs primarily through its scale, it has by far the largest population (276 million), paired with high unemployment (16.4 percent) and moderate poverty (9.5 percent). This reflects systemic inefficiencies in labor absorption and income distribution, making it a compelling case for exploring redistributive economic models like the IGE.

Malaysia, while economically more advanced with the highest GDP per capita (USD 11,415) and a low poverty rate (5.0 percent), differs from countries like Vietnam and Thailand through its significantly higher income inequality, as reflected in a Gini Index of 40.7. Malaysia's inequality amid affluence highlights a disparity that the IGE could address through mechanisms focused on wealth redistribution.

Malaysia and Indonesia are distinct not only in scale and economic status but also in the nature of their socio-economic imbalances: Indonesia through mass unemployment and Malaysia through concentrated wealth, making them especially relevant for targeted analysis. Also, these countries are home to the largest Muslim populations in the region and have the most institutionalized systems of Islamic philanthropy. The presence of formal zakat agencies, waqf authorities, and legal frameworks makes them especially relevant for analyzing the effectiveness and limitations of the IGE in contemporary settings.²³⁹

²³⁹ Doni Azhari and Asmuni, "A Comparison of Philanthropic Contributions with Different Cultural Backgrounds: A Case Study of Indonesia and Malaysia," **Islamic Economics and Business Review**, Vol.2, No.3 (2023), p.145–160.

3.2.1 Level of Economic Inequality and Poverty in the Region

Economic inequality and poverty remain pressing challenges in Malaysia and Indonesia. While these nations have experienced significant economic growth over the past few decades, wealth distribution remains highly uneven. Structural factors such as urban-rural disparities, access to education and healthcare, and employment opportunities all contribute to persistent economic inequalities. This section examines the depth of economic inequality and poverty in the region, analyzing the key contributing factors and their implications for social and economic development.²⁴⁰

Income inequality is often measured using the Gini coefficient, where a higher value indicates greater inequality. In Malaysia and Indonesia, income disparities remain a significant concern. Malaysia has historically exhibited a relatively high Gini coefficient, although targeted government policies have helped reduce some disparities. Nevertheless, the gap between the wealthiest and the poorest remains substantial, with urban centers like Kuala Lumpur seeing much higher income levels compared to rural areas. Indonesia has a Gini coefficient of approximately 0.38, reflecting considerable income disparities. The rapid economic growth in urban regions such as Jakarta and Surabaya has not translated into equivalent improvements for rural populations, many of whom remain engaged in low-income agricultural or informal sector jobs.²⁴¹

Beyond income disparities, wealth inequality is even more pronounced in both countries. A significant share of national wealth is controlled by a small fraction of the population, with the top 10 percent of earners holding a disproportionately large share of assets. This concentration of wealth is evident in the high property values in metropolitan areas and the dominance of family-owned conglomerates in key industries such as banking, telecommunications, and manufacturing.²⁴²

Poverty in Southeast Asia exhibits a stark rural-urban divide. In Indonesia, rural poverty remains a major issue, with many households relying on subsistence farming and lacking access to essential services such as education and healthcare. The eastern provinces, including Papua and East Nusa Tenggara, have some of the highest poverty rates in the country. In Malaysia,

²⁴⁰ Asian Development Bank, *Poverty Analysis (Summary)*, Manila: Asian Development Bank, 2012.

²⁴¹ Department of Statistics Malaysia, *Income Inequality Malaysia 2022*, Putrajaya: Department of Statistics Malaysia, 2022.

²⁴² Muhammed Abdul Khalid, *NEP to NEM: Who Cares? Wealth Distribution in Malaysia*, Bangi: Universiti Kebangsaan Malaysia, 2011.

poverty is concentrated in remote and indigenous communities, particularly among the Orang Asli population in Peninsular Malaysia and indigenous groups in Sabah and Sarawak. These communities face systemic barriers to economic participation and limited access to government support programs.²⁴³

Underemployment and informal employment are widespread concerns in Malaysia and Indonesia. Many workers in Indonesia are engaged in informal employment, lacking social security and stable wages. Sectors such as street vending, domestic work, and agriculture employ a large proportion of the underprivileged population. In Malaysia, youth unemployment is a growing issue, with many graduates struggling to secure jobs that match their qualifications, leading to underemployment and precarious work conditions.²⁴⁴

Economic inequality and poverty continue to shape the socio-economic landscape of Malaysia and Indonesia. While government initiatives such as zakat distribution, targeted social programs, and economic stimulus measures have attempted to address these issues, structural challenges remain. The persistence of wealth concentration, rural-urban disparities, and informal labor market conditions underscores the need for sustained policy efforts to ensure inclusive economic development. Addressing these issues is critical to fostering long-term stability and equitable growth in the region.

3.2.2 Cultural Foundations of the Islamic Gift Economy

To contextualize the institutional influence of religion and tradition on economic culture, the table below presents quantitative indicators reflecting the scale and structure of the IGE in Malaysia and Indonesia. These include zakat collection volumes, the development of waqf assets, and Halal economy contribution to GDP. The following analysis explains how these elements are embedded in national systems and how they reflect both religious values and socio-economic priorities.

²⁴³ World Bank, The Interplay of Regional and Ethnic Inequalities in Malaysian Poverty Dynamics, 2023, <https://hdl.handle.net/10986/36820>, (May 8 2025)

²⁴⁴ World Bank, Informal Employment in Malaysia: Trends, Challenges, and Opportunities, 2023, <http://documents.worldbank.org/curated/en/099022124104015011>, (May 8 2025)

Table 3.2: Key Indicators of the Islamic Gift Economy in Malaysia and Indonesia (2022, USD).

Indicator	Malaysia	Indonesia
Zakat collection	Approximately USD 782 million (MYR 3.1 billion) ²⁴⁵	Approximately USD 1,5 billion (IDR 21.3 trillion) ²⁴⁶
Average zakat growth	~11% (2019–2020) ²⁴⁷	~10% planned in 2025 ²⁴⁸
Waqf	Assets: Estimated USD 300B (RM 1.3 trillion) ²⁴⁹	Cash assets: ~ USD 132M (IDR 2.23 trillion) ²⁵⁰
Halal economy contribution to GDP	Expected 7.4% of GDP (USD 24.2 billion) ²⁵¹	48% of GDP (USD 514 billion) ²⁵²

Religion and tradition play a key role in shaping the economic culture of Malaysia and Indonesia. Islamic principles not only influence individual economic behavior, but also shape the institutional foundations of the economy, including redistribution mechanisms, the financial system, and ethical norms. At the same time, local traditional practices such as collective cooperation and communal trade continue to exert a significant influence on the structure of economic activity, resource allocation patterns, and the organization of labor relations.

One of the most important manifestations of the institutional influence of Islam on the economy is the system of obligatory charity (zakat), which serves as an instrument of social justice and wealth redistribution. In Malaysia, the total amount of zakat collected in 2022 was about MYR

²⁴⁵ Azrina Azman and Nurul Husna Mohamed Noor, “Digitalisation of Zakat Management System in Malaysia: Potential and Challenges,” *International Journal of Academic Research in Business and Social Sciences*, Vol.12, No.10 (2022), p.178–191.

²⁴⁶ JawaPos.com, “BAZNAS: Pengelolaan Zakat Nasional 2022 Tumbuh 52 Persen,” *Jawa Pos*, January 23, 2023, <https://www.jawapos.com/nasional/01426728/baznas-pengelolaan-zakat-nasional-2022-tumbuh-52-persen>, (May 8, 2025)

²⁴⁷ Astro Awani, “2020: PPZ-MAIWP Collects RM756 Million Zakat,” *Astro Awani*, accessed May 8, 2025, <https://international.astroawani.com/malaysia-news/2020-ppzmaiwp-collects-rm756-million-zakat-275599>, (May 8, 2025)

²⁴⁸ Antara News. “Govt Targets to Raise Zakat Collection by 10% in 2025.” April 5, 2024. Ссылка: <https://en.antaranews.com/amp/news/348957/govt-targets-to-raise-zakat-collection-by-10-in-2025>, (May 8, 2025)

²⁴⁹ Business Today, “SC Explores Waqf’s Potential through the Islamic Capital Market in Malaysia,” *Business Today*, July 20, 2023, <https://www.businesstoday.com.my/2023/07/20/sc-explores-waqfs-potential-through-the-islamic-capital-market-in-malaysia/>, (May 8, 2025)

²⁵⁰ Efri Syamsul Bahri, “Cash Waqf Investment Models in Indonesia,” *Jurnal Zakat dan Wakaf*, Vol2, No.1 (2023), p.55–68.

²⁵¹ VietnamPlus, Malaysia’s Halal Industry to Make up 10.8% of GDP by 2030, November 20, 2024, <https://en.vietnamplus.vn/malaysias-halal-industry-to-make-up-108-of-gdp-by-2030-post304267.vnp>, (May 8, 2025)

²⁵² VietnamPlus, “Islamic Economy Makes up 48% of Indonesia’s GDP,” November 1, 2024, <https://en.vietnamplus.vn/islamic-economy-makes-up-48-of-indonesias-gdp-post301325.vnp>, (May 8, 2025)

3.1 billion. Zakat in this country is centrally administered by state Islamic councils, ensuring that funds are used to support education, health, and social welfare programs. In contrast, Indonesia has a more decentralized system of collecting and distributing zakat: in 2022, the national agency BAZNAS collected IDR 12.3 trillion, reflecting an annual increase of about 24 percent in recent years. The funds are used to develop rural areas, support microenterprises, and implement poverty alleviation programs.²⁵³

Another significant economic institution closely linked to religious practices is waqf, a form of non-profit endowment aimed at funding socially significant projects. Malaysia has implemented several initiatives to modernize waqf (Islamic endowment) for educational purposes. One notable program is myWaqafPTPTN, a collaborative effort between the National Higher Education Fund Corporation (PTPTN) and Yayasan Waqaf Malaysia (YWM). This initiative aims to diversify funding sources for higher education by establishing a waqf fund. The fund provides financial assistance to students from the B40 and M40 income groups, as well as asnaf (eligible zakat recipients), regardless of religion or ethnicity.²⁵⁴ The concept of productive waqf is developing in Indonesia: according to the Board of Waqf (BWI), the volume of cash waqf assets as of 2022 was Rp 4.3 billion, with a target yield of Rp 1 trillion. These assets are invested in agriculture, microfinance, and small businesses, contributing to the sustainable economic development of Muslim communities.²⁵⁵

The financial sector also demonstrates a close connection with religious norms. Islamic banks that comply with Shariah are becoming an important element of the economic system. In Malaysia, the share of Islamic finance reached 36 percent of total banking assets as of 2022.²⁵⁶ Indonesia has seen a steady growth in Islamic capital and an increasing presence of Islamic financial institutions in the microfinance and investment funds sectors. This demonstrates the structural integration of religious norms into formal financial practices. At the everyday level, Islamic principles also influence consumer behavior and work culture. One striking example is the development of the halal industry. In Indonesia, the largest Muslim country in the world,

²⁵³ Zakat Foundation of Malaysia. Annual Report 2022: Zakat Collection and Distribution, 2023 https://zakatfoundation.in/contents/en-us/p3051_Zakat-Foundation-Malaysia-annual-report-2022.html, (May 8, 2025)

²⁵⁴ “myWaqafPTPTN,” Portal Rasmi PTPTN, <https://www.ptptn.gov.my/en/mywaqafptptn/>, (April 26, 2025).

²⁵⁵ Suyoto Arief et al., “Analysing the Effectiveness of Stock Waqf Management in Indonesia and Malaysia: Regulation, Practices, and Nadzir Readiness,” *Atlantis Press*, https://doi.org/10.2991/978-94-6463-346-7_17, (April 26, 2025).

²⁵⁶ DDCAP, Malaysia Islamic Banking System Edges Towards System Parity as Financing and Deposits Market Share Reach 40% and Total AUM Tops RM1.3 Trillion (US\$298 bn), April 20, 2023, <https://www.ddcap.com/malaysia-islamic-banking-system-edges-towards-system-parity-as-financing-and-deposits-market-share-reach-40-and-total-aum-tops-rm1-3-trillion-us298bn/>, (May 8, 2025)

the halal economy contributed USD 135 billion to GDP in 2021.²⁵⁷ Malaysia has an active halal certification system under the Department of Islamic Affairs (JAKIM), which covers the food, cosmetics, and pharmaceutical industries. The demand for certified products creates specific market standards and strengthens consumer confidence.²⁵⁸

Traditional cultural values such as “gotong royong” (mutual assistance) in Indonesia and “konsep berjemaah” (collective effort) in Malaysia continue to play a significant role in organizing economic practices. These principles underlie many cooperatives and community-based enterprises. In Indonesia, a large number of agricultural cooperatives are formed based on the principle of mutual support and collective resource management. In Malaysia, similar principles are implemented in the activities of the national union of Islamic cooperatives ANGKASA, which provides support to small and medium enterprises within the framework of Islamic finance.²⁵⁹

Religious norms also determine the work ethic, suggesting honesty, hard work and responsibility as manifestations of faith. This is especially noticeable in Islamic financial institutions, where employees are trained in the rules of Shariah business conduct, and working hours are adapted to religious observances: prayer rooms, reduced working hours during Ramadan and special holidays for the pilgrimage to Mecca are provided.²⁶⁰

Despite the sustainability of these traditions, globalization and modernization processes present new challenges. The spread of digital technologies, startup culture and individualistic entrepreneurship models leads to a transformation of economic behavior, especially in megacities such as Kuala Lumpur and Jakarta. However, the adaptation of Islamic practices to modern conditions is actively taking place. The development of Islamic fintech platforms

²⁵⁷ Johan Fischer and Eva Nisa, “Emerging middles: Class, development and the halal economy in Indonesia and Malaysia,” *Research in Globalization* 10, (February 5, 2025), <https://doi.org/10.1016/j.resglo.2025.100276>, (May 8, 2025)

²⁵⁸ Department of Islamic Development Malaysia, “Department of Islamic Development Malaysia (JAKIM) – Halal Certification Body,” *Digicomply*, October 29, 2023, <https://www.digicomply.com/food-regulatory-bodies-standards-and-authorities/departement-of-islamic-development-malaysia-jakim-halal-certification-body>, (May 8, 2025)

²⁵⁹ Ibid.

²⁶⁰ Elite Career Centre, “Ramadan Working Hours 2025: A Guide for Employers in Malaysia,” *LinkedIn*, March 3, 2025, <https://www.linkedin.com/pulse/ramadan-working-hours-2025-guide-employers-malaysia-erx4c>, (May 8, 2025)

allows the introduction of digital solutions for collecting zakat, waqf investments and crowdfunding in accordance with Shariah standards.²⁶¹

Thus, religion and tradition continue to play an important role in shaping the economic culture of Malaysia and Indonesia. Structured Islamic institutions - such as zakat, waqf and Islamic finance - combined with traditional forms of cooperation create a unique economic model based on ethics, social justice and sustainable development. Maintaining their significance in the context of globalization will largely depend on the ability to integrate religious and traditional principles with innovative forms of economic activity.

3.3 Case Study Findings

This chapter focuses on the contemporary development of the IGE, which can be categorized into three interconnected domains. First, traditional institutions such as zakat and waqf continue to play a foundational role in resource redistribution. Second, innovation has introduced digital platforms, such as Islamic philanthropic crowdfunding and peer-to-peer initiatives grounded in the principle of *tabarru'* (voluntary giving). Third, these mechanisms contribute directly to addressing social needs, especially in areas such as food and housing security. Each of these domains will be explored in the subsequent sections.

3.3.1 Institutional Mechanisms: Zakat and Waqf in Practice

Zakat, a fundamental pillar of Islam, serves as a powerful instrument for wealth redistribution and social justice. In contemporary Muslim societies, its implementation has evolved to address not only poverty alleviation but also broader goals such as economic empowerment and sustainable development. Malaysia and Indonesia provides strong examples of institutionalized zakat systems that combine religious obligation with modern administrative strategies. This section explores the operational models, technological innovations, and social impacts of key zakat institutions in both countries.

Zakat Implementation

Table 3.3 provides a comparative overview of their approaches, highlighting the diversity and effectiveness of zakat as a tool for social transformation.

²⁶¹ Heru Wahyudi, Chara Pratami Tidespania Tubarat, Nunung Rodliyah, Andi Kusnadi, and Sandra Mei Leny, "The Nexus of Crowdfunding and e-Wakaf to Islamic Fintech in Indonesia in the Era of Industrial Revolution 5.0," *Journal of Ecohumanism*, Vol.4, No.1 (2024), p.208–219.

Table 3.3: Zakat Implementation in Malaysia and Indonesia.

Country	Institution	Objectives	Model	Technology	Impact
Malaysia	Lembaga Zakat Selangor (LZS)	Poverty alleviation, education, business support	Centralized zakat collection and distribution (State-level)	e-Zakat Online, mobile apps	Over 60,000 families assisted annually in Selangor
Indonesia	Badan Amil Zakat Nasional (BAZNAS)	Social welfare, community development	Multi-tiered system (National & regional bodies)	Zakat Digital platform, mobile apps	Supports thousands of small businesses and micro-enterprises
Indonesia	Zakat Microfinance (BAZNAS & partners)	Microfinance for entrepreneurs	Collaborative system with Islamic microfinance institutions	-	Hundreds of small businesses funded annually

One of the most developed and efficient examples of zakat management in Southeast Asia is the Lembaga Zakat Selangor (LZS) system in Malaysia.²⁶² This institution was established to centralize the collection and distribution of zakat in the state of Selangor, ensuring high levels of transparency and governance. LZS has implemented an integrated zakat distribution strategy, which includes support for low-income families, educational initiatives, entrepreneurial financing, and social protection. According to LZS reports, the institution distributes several hundred million ringgits annually, directing funds toward sustainable development programs. For example, in 2021, over 70 percent of the collected zakat funds were allocated to assist the poor and needy (asnaf), significantly improving their living conditions.²⁶³

One of the key aspects of LZS's operations is its use of digital technology to enhance zakat management efficiency. In recent years, LZS introduced the e-Zakat Online system, which allows Muslims to pay zakat via online platforms and mobile applications. This digitalization has increased accessibility, leading to a significant rise in zakat collections. As a result, more than 60,000 families in Selangor have received financial aid, helping to reduce extreme poverty

²⁶² The Malaysian Reserve, "Lembaga Zakat Selangor Records Highest Zakat Collection at RM993 m in 2021," *The Malaysian Reserve*, April 1, 2022, <https://themalaysianreserve.com/2022/04/01/lembaga-zakat-selangor-records-highest-zakat-collection-at-rm993m-in-2021/>, (May 8, 2025)

²⁶³ Ibid.

in the region.²⁶⁴ Additionally, LZS launched the “Zakat Selangor Empowerment Model”, where zakat is not just used for direct assistance but also as an investment tool for supporting small businesses. In 2020, approximately 8 percent of zakat funds were allocated to entrepreneurial support programs, enabling poor individuals to establish sustainable business models that provide long-term economic independence.²⁶⁵

In Indonesia, the centralized zakat management system is overseen by the Badan Amil Zakat Nasional (BAZNAS), a national government body responsible for zakat collection and distribution. Unlike Malaysia’s model, where zakat administration is managed at the state level, Indonesia’s system is structured through multi-tiered coordination between national and regional bodies. BAZNAS focuses on comprehensive social assistance programs. One of its most significant initiatives is the “Zakat Community Development” (ZCD) program, which promotes sustainable community development through zakat funding. This program establishes social entrepreneurship centers in rural areas, providing financial support for small-scale production and agricultural projects among low-income families.²⁶⁶

A successful example is the ZCD project in Cianjur village (West Java). In 2018, BAZNAS allocated zakat funds to help local residents establish cooperative greenhouses for growing fruits and vegetables. This initiative not only improved household incomes but also created new job opportunities, reducing unemployment and economic vulnerability in the region. Another important initiative under BAZNAS is the “Zakat for Economic Empowerment” program, which directs zakat funds to support micro-enterprises. In 2021 alone, this program financed over 1,500 small businesses nationwide. Beneficiaries used the funding to acquire equipment, purchase raw materials, and receive financial management training, leading to improved business sustainability and reduced dependency on external aid. BAZNAS has also adopted digital solutions for zakat collection. In 2019, it launched the “Zakat Digital” platform, enabling Muslims to make donations through mobile applications, bank transfers, and QR codes. This

²⁶⁴ Lembaga Zakat Selangor, LZS Sustainability Report, 2025, <https://www.zakatselangor.com.my/lzssustainabilityreport/>, (April 7, 2025).

²⁶⁵ Khairul Azhar Meerangani et al., “The Effectiveness of the Entrepreneur Development Program in Transforming Asnaf Zakat,” **International Journal of Academic Research in Business and Social Sciences**, Vol.13, No.1 (2023). s.45–60.

²⁶⁶ Abdullah Sahroni, “Zakat Community Development as the Key of Pressing Poverty in Indonesia,” *Islamiconomic: Jurnal Ekonomi Islam*, Vol.12, No.1 (2021), p.53–72.

initiative has simplified the zakat payment process and increased contributions from younger generations.²⁶⁷

One of the most innovative applications of zakat in Southeast Asia is the “Zakat Microfinance” program, developed through collaboration between BAZNAS and Islamic microfinance institutions in Indonesia. This initiative supports poor entrepreneurs who lack access to conventional banking services due to insufficient credit history or collateral. The program provides interest-free microloans (*qard al-hasan*) using zakat funds. These loans help recipients start or expand small businesses, with an agreement that repaid funds will be reinvested to support new beneficiaries.²⁶⁸ The “Zakat Microfinance” program has proven effective in poverty reduction. Studies indicate that in areas where the program was implemented, poverty rates dropped by 12 percent over three years, demonstrating the model’s success in fostering economic independence.²⁶⁹

The experiences of Lembaga Zakat Selangor (LZS) in Malaysia and BAZNAS in Indonesia demonstrate that zakat can serve as an effective tool for social transformation in modern contexts. These case studies highlight how centralized management, digital technology, and innovative approaches have made zakat systems more transparent, accessible, and impactful. The integration of zakat into sustainable development programs, such as microfinance and entrepreneurial support, shows that IGE mechanisms can do more than just alleviate poverty, they can also drive economic growth and improve overall living standards. Enhancing governance, adopting digital solutions, and increasing public engagement in zakat administration are key factors for its continued success in Southeast Asia.

Waqf Implementation

Waqf, a cornerstone of Islamic philanthropy, has historically funded religious, educational, and public welfare initiatives. In recent decades, however, countries like Malaysia and Indonesia have reimagined waqf as a strategic instrument for socio-economic development. Through professional management, innovative financing tools, and integration with national development agendas, waqf is now being utilized in areas such as healthcare, education,

²⁶⁷ Fahmi Ali Hudaefi, Muhammad Hasbi Zaenal, Hidayaneu Farchatunnisa, and Ulfah Lathifah Junari, “How Does Zakat Institution Respond to Fintech? Evidence from BAZNAS Indonesia,” **Puskas Working Paper Series**, Vol. 3, (2020), <https://www.iconzbaznas.com/publications/index.php/pwps/article/view/115>, (May 8, 2025)

²⁶⁸ Fathullah Asni, Ahmad Yusairi Yusli, and Mohamad Ihsan Zulkii, “Micro Credit-Qard Hasan Financing Mechanism Through Zakat Funding by Baznas Indonesia,” **Journal of Namibian Studies: History, Politics, Culture**, Vol.35, No.1 (2023), p.110–125.

²⁶⁹ Badan Amil Zakat Nasional (BAZNAS), Laporan Tahunan 2021, BAZNAS, <https://ppid.baznas.go.id/laporan/laporan-keuangan> (April 7, 2025).

housing, and agriculture. This section explores how modern waqf models address contemporary challenges while staying true to their charitable roots. Table 3.4 presents a comparative overview of key waqf initiatives in both countries, highlighting the institutions involved, their focus areas, funding mechanisms, and social impacts.

Table 3.4: Waqf Implementation in Malaysia and Indonesia.

Country	Institution	Focus	Model	Impact
Malaysia	Waqaf An-Nur Corporation (WANCorp)	Healthcare, Education	Commercial waqf model, cross-subsidization, Islamic schools	Thousands treated annually; tuition-free schools for orphans
Malaysia	Selangor Waqf Corporation (PWS)	Affordable Housing	Waqf Sukuk financing, housing for asnaf, public-private model	Multiple housing projects completed in Klang region
Indonesia	Universitas Islam Indonesia (UII)	Higher Education	Endowment-supported tuition subsidies, waqf-based operations	Large-scale impact on access to education for poor students
Indonesia	Dompot Dhuafa – Agro-Waqf Projects	Agriculture, Food Security	Productive waqf land, rural employment, social enterprises	Transformed abandoned land; supports farmer livelihoods

One of the most successful examples of waqf-based economic development in Malaysia is the Waqaf An-Nur Corporation Berhad (WANCorp), a subsidiary of Johor Corporation (JCorp). This initiative demonstrates how modern governance and commercialization can be integrated into the waqf system while preserving its charitable essence. Johor Corporation, a government-linked company, established WANCorp as a vehicle to manage and develop waqf assets for social and economic empowerment. The corporation successfully transferred portions of its commercial holdings, including shares from key businesses, into waqf ownership. Profits generated from these assets are reinvested into social welfare programs, making it a sustainable waqf model.²⁷⁰

²⁷⁰ Asharaf Mohd Ramli and Abdullaah Jalil, “Corporate Waqf Model and Its Distinctive Features: The Future of Islamic Philanthropy,” paper presented at the **International Conference on Management and Technology in Knowledge, Service, Tourism & Hospitality**, Johor Bahru, 2013, <https://comaif.files.wordpress.com/2014/02/2013-12-4-5-wuip-2013-corporate-waqf.pdf>, (May 8, 2025)

One of the most impactful projects under WANCorp is the Waqaf An-Nur Hospital network, which provides affordable healthcare services to low-income groups. These hospitals operate on a cross-subsidization model, where income from paying patients is used to fund free or highly subsidized treatments for the underprivileged. This approach has enabled thousands of financially disadvantaged individuals to receive high-quality medical care that would otherwise be inaccessible. Additionally, WANCorp has expanded into education by establishing Waqaf An-Nur Islamic Schools, where revenue from waqf businesses supports tuition-free education for orphans and children from low-income families. These schools incorporate Islamic teachings alongside conventional education, ensuring a well-rounded curriculum that prepares students for both religious and secular opportunities. The case of WANCorp illustrates how waqf assets can be professionally managed in collaboration with corporate entities to ensure financial sustainability while maintaining the core principles of Islamic philanthropy.²⁷¹

A pressing challenge in many urban areas of Malaysia is the lack of affordable housing for low-income families. Recognizing this issue, the Selangor Waqf Corporation (Perbadanan Wakaf Selangor – PWS) launched a strategic initiative to develop waqf land into affordable housing projects.²⁷² Historically, a significant portion of waqf land remained underutilized due to legal and bureaucratic constraints. To address this, PWS collaborated with state agencies and private developers to transform unused waqf land into affordable housing complexes. One successful example is the Waqf Housing Project in Klang, which provides subsidized housing units for asnaf (the poor and needy) and lower-income families. Through innovative financing mechanisms, such as issuing Waqf Sukuk (Islamic bonds tied to waqf assets), PWS has been able to raise substantial funds for construction projects without compromising the waqf's perpetual charitable status. These sukuk allow investors to participate in social development while earning Shariah-compliant returns. By effectively utilizing idle waqf assets, PWS has demonstrated how the waqf system can play a crucial role in solving socio-economic issues, particularly in urban development and poverty alleviation.²⁷³

²⁷¹ Norma Md Saad, Salina Kassim, and Zarinah Hamid, "Best Practices of Waqf: Experiences of Malaysia and Saudi Arabia," *Jurnal Ekonomi Islam Lariba*, Vol.2, No.2 (2016), p.57–74.

²⁷² Nor Azizan Che Embi, Salina Kassim, Roslily Ramlee, and Wan Rohaida Wan Husain, "A Proposal for Affordable Waqf Housing Projects in Malaysia: Public Perception of House Characteristics," *Planning Malaysia: Journal of the Malaysian Institute of Planners*, Vol.19, No.3 (2021), p.260–269.

²⁷³ Ibid.

In Indonesia, one of the most prominent examples of waqf in higher education is Universitas Islam Indonesia (UII).²⁷⁴ Established in 1945, UII is one of the oldest private Islamic universities in the country and operates on a waqf-based financial model. The university's endowment funds come from various waqf sources, including land, buildings, and financial contributions from philanthropists. The revenue generated from these waqf assets is used to subsidize tuition fees for students from underprivileged backgrounds, making higher education more accessible. Additionally, UII reinvests its waqf funds into research, infrastructure development, and community outreach programs. The university runs free medical clinics and legal aid centers, providing essential services to marginalized communities. This reflects the broader vision of waqf as a tool not just for religious or educational purposes, but for holistic socio-economic empowerment. The case of UII highlights the role of waqf in fostering knowledge-based economic growth, ensuring that education remains a pillar of sustainable development within the IGE framework.²⁷⁵

One of the most innovative waqf-based initiatives in Indonesia is led by Dompét Dhuafa, an Islamic philanthropic organization that has successfully implemented Waqf for Agricultural and Economic Development.²⁷⁶ This project focuses on utilizing waqf land to enhance food security and create employment opportunities for rural communities. In the Waqf Agro-Industry Program, waqf land is transformed into productive farmland where modern agricultural techniques are introduced. Dompét Dhuafa provides training and resources to local farmers, allowing them to increase yields and generate sustainable incomes. The profits from these agricultural activities are then reinvested into community development programs, including educational scholarships and healthcare services. One notable success story is the Waqf Rice Field Project in West Java, where abandoned waqf land was converted into a high-yield rice plantation. Through this initiative, small-scale farmers were given access to land, irrigation infrastructure, and fair-trade distribution channels. This not only improved food security but also lifted entire communities out of poverty by providing stable incomes.²⁷⁷ Additionally,

²⁷⁴ Universitas Islam Indonesia, Yayasan Badan Wakaf Universitas Islam Indonesia, 2025, <https://ybw.or.id>, (April 26, 2025)

²⁷⁵ Tamyiz Mukharrom, Tia Faskia Indriani, M. Roem Syibly, and Siti Inayah, "Action Review of Sustainable Development Goals (SDGs) on the Framework for Development of Waqf at Universitas Islam Indonesia," **KnE Social Sciences**, Vol.7, No.10 (2022), p.33–42,

²⁷⁶ Economy Program - Dompét Dhuafa, Dompét Dhuafa, <https://www.dompetdhuafa.org/en/category-program/economy/>, (May 6, 2025).

²⁷⁷ Dompét Dhuafa, Dompét Dhuafa Invites Donors to Explore Agricultural Village, Introduces Modern Agriculture and Productive Waqf Implementation, April 2024, <https://www.dompetdhuafa.org/en/dompét-dhuafa-invites-donors-to-explore-agricultural-village-introduces-modern-agriculture-and-productive-waqf-implementation/>, (May 8, 2025)

Dompot Dhuafa has introduced Waqf-based Social Enterprises, where businesses operate on waqf principles, ensuring that profits are reinvested into philanthropic causes rather than personal gain. This approach aligns with the core tenets of Islamic economics, where wealth circulation and social justice are prioritized.²⁷⁸

The cases of WANCorp in Malaysia, PWS in Malaysia, UII in Indonesia, and Dompot Dhuafa in Indonesia illustrate how waqf can be leveraged beyond traditional religious and charitable functions to address contemporary socio-economic challenges. These initiatives demonstrate that waqf can be a sustainable funding mechanism for healthcare and education, as seen in Waqaf An-Nur hospitals and UII's university model. Waqf can also be a driver of affordable housing solutions, exemplified by PWS's waqf housing projects. Furthermore, it can serve as a tool for food security and agricultural development, as shown by Dompot Dhuafa's waqf-based farming initiatives. Finally, waqf can provide a source of capital for Islamic social enterprises that prioritize community welfare over personal profit.

These cases highlight the transformative potential of waqf in contemporary economies. By modernizing waqf governance, embracing financial innovations like Waqf Sukuk, and integrating waqf with sustainable business models, Malaysia and Indonesia are setting benchmarks for the global IGE.

Comparative Analysis of Zakat and Waqf Institutions

To deepen the analysis, the following section presents Table 3.5, which offers a comparative overview of key zakat and waqf institutions in Malaysia and Indonesia, highlighting their financial capacities and operational scope.

²⁷⁸ Rahman Ambo Masse, Andi Aderus, and Andi Achruh, "Social Entrepreneurship Model in Cash Waqf: An Evidence from Kurir Langit and Dompot Dhuafa," **Cogent Arts & Humanities**, Vol.11, No.1 (2024).

Table 3.5: Zakat and Waqf Institutions in Malaysia and Indonesia: Comparative Table with Financial and Operational Data.

Institution	Country	Domain	Annual Budget/Assets	Beneficiaries / Donors	Cost Structure/ Model
Lembaga Zakat Selangor (LZS)	Malaysia	State zakat agency	RM 1.22 b (≈ USD 256 m) collected in ²⁷⁹	~370,000 asnaf (eligible recipients) aided in 2024 ²⁸⁰	~97% of funds go to recipients (minimal ~3% for admin). ²⁸¹
Badan Amil Zakat Nasional (BAZNAS)	Indonesia	National Zakat Agency	IDR 32 trillion (≈USD 2.0 billion) collected (2023) ²⁸²	54,081 individuals lifted out of poverty through zakat aid (2023) ²⁸³	Admin covered from "amil share" (allowed up to ~12.5%). Cost ratios: collection cost ~3%, operational cost ~23%, amil pay ~13–14% ²⁸⁴
Zakat Microfinance (BAZNAS & partners)	Indonesia	Zakat-funded microfinance program (MSME loans)	IDR 68.3 b (≈ USD 4.44 m) disbursed in 2024 ²⁸⁵	26,778 microentrepreneurs financed (2024) ²⁸⁶	Funded from zakat capital; micro-loans are 0% interest. Admin/training from zakat & partner support. ²⁸⁷

²⁷⁹ Malay Mail, Selangor Zakat Board Sees Highest-Ever RM1.22B Collection, Majority Aid for Poor, April 23, 2025, <https://www.malaymail.com/news/malaysia/2025/04/23/selangor-zakat-board-sees-highest-ever-rm122b-collection-majorityaid-for-poor/174216>, (May 8 2025)

²⁸⁰ Ibid.

²⁸¹ Ibid.

²⁸² Andrean Rifaldo, Zakat as Income Tax Relief, Direktorat Jenderal Pajak, 2024, <https://pajak.go.id/id/node/110771>, (May 8 2025)

²⁸³ Ibid.

²⁸⁴ Eka Ifa Apriliana and Dodik Siswanto, "Analysis of Zakat Core Principle Application in Lembaga Amil Zakat XYZ", *Advances in Social Science, Education and Humanities Research*, Vol.558, (2019), p.673-678.

²⁸⁵ Puskas BAZNAS, The National Board of Zakat Republic of Indonesia (BAZNAS RI) Reaffirms Commitment to Managing ZIS for Poverty Alleviation and National Development, <https://www.puskasbaznas.com/home/activities/2021-the-national-board-of-zakat-republic-of-indonesia-baznas-ri-reaffirmscommitment-to-managing-zis-for-poverty-alleviation-and-national-development>, (May 8 2025)

²⁸⁶ Ibid.

²⁸⁷ Nadia Nuril Ferdaus et.al, Transforming Lives: The Impact of BAZNAS Microfinance on Poverty Reduction in West Nusa Tenggara," Iconz BAZNAS, <https://www.iconzbaznas.com/submission/index.php/proceedings/article/download/831/377>, (Accessed Date).

					Exact admin % N/A.
Waqaf AnNur Corporation (WANCorp)	Malaysia	Corporate Waqf (health, education, microcredit)	RM 12.08 million ($\approx$ USD 2.54 m) disbursed in 2023 ²⁸⁸ ; initial waqf endowment $\sim$ RM 200 million ($\approx$ USD 42 m) ²⁸⁹	>2 million total beneficiaries since 2006 ²⁹⁰	Corporate waqf funded by endowed shares & profits. 70% of profit reinvested, up to 30% for grants. Admin costs covered from returns; admin share not publicly quantified. ²⁹¹
Selangor Waqf Corporation (PWS)	Malaysia	State waqf management	$\sim$ RM 83.35 million ($\approx$ USD 17.5 m) waqf funds collected (2023) ²⁹²	Built multiple public facilities in Selangor (e.g. RM 19 m Denai Alam Mosque) serving local communities (exact beneficiary count N/A) ²⁹³	Funded by waqf donations & investments. Only investment returns are used; principal preserved. Admin covered from returns; admin percentage not disclosed. ²⁹⁴
Universitas Islam Indonesia (UII)	Indonesia	Waqf-funded university & hospital	Perpetual waqf fund; amounts not public ²⁹⁵	Top Islamic university & hospital ²⁹⁶	Funded via waqf endowment; only income from invested

²⁸⁸ Waqaf An-Nur Corporation Berhad, Waqaf An-Nur, <https://waqafannur.com.my/en/Pembangunan-Ummah>, (May 9, 2025).

²⁸⁹ Zuhairah Arif Abd Ghadas, Hartinie binti Abd Aziz, "Legal Framework of Shari'ah Corporations in Malaysia," *Journal of Modern Accounting and Auditing*, Vol.13, No.13 (2017), p.121-127.

²⁹⁰ Ibid.

²⁹¹ Ibid.

²⁹² Perbadanan Wakaf Selangor, Laporan Tahunan Perbadanan Wakaf Selangor 2023, <https://www.wakafselangor.gov.my/Downloads/PWS-22%2623.pdf>, (May 8 2025)

²⁹³ Perbadanan Wakaf Selangor, <https://www.wakafselangor.gov.my/>, (May 8, 2025)

²⁹⁴ Nurwajihah Ajlaa Ali and Ruzian Markom, "The Challenges in Implementing Cash Waqf in Malaysia," *Journal of Contemporary Islamic Studies*, Vol.6, No.2 (2020), p.1–14.

²⁹⁵ Wakaf Berperan Penting di Berbagai Bidang, Universitas Islam Indonesia, <https://www.uui.ac.id/wakaf-berperan-penting-di-berbagai-bidang/>, (May 10, 2025)

²⁹⁶ Ibid.

					principal used. Admin funded from investment yield & waqf-owned business revenue. ²⁹⁷ Admin ratio not reported publicly.
Dompot Dhuafa – Agro Waqf Projects	Indonesia	Productive waqf (agriculture empowerment)	10 ha waqf farm; funded from ZISWAF donations; budget not public ²⁹⁸	50 farmers empowered; income rose from IDR 50k/day to 2.4–6 m/month ²⁹⁹	Waqf capital (land, assets) + zakat/infak funds for operations. ³⁰⁰ Surpluses are re-invested (~50%) and partly used for beneficiaries (~40%, with ~10% for management) to sustain and expand impact ³⁰¹

The institutions presented in this table reflect formal, often state-linked models of Islamic social finance, particularly zakat and waqf. In terms of financial scale, Indonesia's BAZNAS stands out, managing over USD 2 billion annually, far exceeding any other organization in the sample. By comparison, Malaysia's Lembaga Zakat Selangor (LZS) operates with a budget of approximately USD 150 million, but demonstrates higher efficiency, allocating over 97% of collected zakat directly to beneficiaries. This highlights a clear contrast: Indonesia has broader

²⁹⁷ Ibid.

²⁹⁸ Dompot Dhuafa, Dompot Dhuafa Invites Donors to Explore Agricultural Village, Introduces Modern Agriculture and Productive Waqf Implementation, 2024, <https://www.dompetdhuafa.org/en/dompot-dhuafa-invites-donors-to-explore-agricultural-village-introduces-modernagriculture-and-productive-waqf-implementation/>, (May 12, 2025)

²⁹⁹ Ibid.

³⁰⁰ Dompot Dhuafa, Management, Opportunities, and Impact of Productive Waqf, 2022. <https://www.dompetdhuafa.org/en/management-opportunities-and-impact-of-productive-waqf/>, (May 8 2025)

³⁰¹ Hidayatul Ihsan, Maliah Sulaiman, Norhayati Mohammad Alwi, and Muhammad Akhyar Adnan, "A Study of Accountability Practice in Dompot Dhuafa Waqf of Indonesia," **Journal of King Abdulaziz University: Islamic Economics**, Vol.30, No.2 (2017, p.13–32.

national coverage with large aggregated budgets, while Malaysia emphasizes centralized provincial models with lean cost structures.

On the waqf side, WANCorp and Selangor Waqf Corporation (PWS) represent more localized asset-based endowments. Their financial footprints are smaller than zakat bodies but are invested into long-term health, education, and infrastructure projects. Dompet Dhuafa and Zakat Microfinance (BAZNAS & partners) offer hybrid models, blending zakat with social enterprise tools like microfinance and agriculture support. Their operations suggest a transition from one-time charity to productive, impact-oriented giving.

In terms of cost structure, most zakat agencies maintain a strict administrative cap (e.g., 12.5% in Indonesia), while some Malaysian models like LZS report operational efficiency as high as 97% distribution-to-benefit ratio. Waqf entities, in contrast, tend to fund their operations via investment returns, leasing, or project-based reinvestment, aiming for self-sustaining financial models rather than regular fundraising. Overall, the table reflects a dual trend: zakat agencies are large and compliant-driven, while waqf institutions operate with smaller budgets but greater long-term asset logic.

3.3.2 Innovation and Technology: Crowdfunding and P2P Models

The digital age has redefined the landscape of Islamic charitable giving, enabling new platforms that merge tradition with technology. In Malaysia and Indonesia, Islamic crowdfunding and philanthropic platforms have become powerful tools for facilitating zakat, sadaqah, and waqf in more efficient, transparent, and accessible ways. These platforms harness the power of financial technology, social media, and mobile applications to broaden participation and enhance impact. From humanitarian relief to healthcare, education, and microfinance, digital initiatives are reshaping the IGE for the modern world.

Islamic Philanthropic Platforms and Crowdfunding

With the advancement of digital technology, Islamic charitable giving has evolved beyond traditional donation methods. In Malaysia and Indonesia, the rise of Islamic crowdfunding platforms has significantly enhanced the efficiency and reach of philanthropic activities. These platforms leverage digital payment systems and social networks to facilitate the collection and distribution of charitable funds, aligning with Islamic principles of zakat, sadaqah, and waqf. The integration of technology has enabled greater transparency, accessibility, and

accountability in the IGE. Table 3.6 summarizes key digital philanthropic models across both countries, highlighting their core features, technological innovations, and social outcomes.

Table 3.6: Islamic Philanthropic Platforms and Crowdfunding in Malaysia and Indonesia.

Country	Institution	Focus	Model	Impact
Malaysia	GlobalSadaqah	Islamic Crowdfunding	Blockchain transparency, zakat integration, humanitarian aid, disaster relief	Facilitated large-scale campaigns, including Rohingya refugee aid
Indonesia	Kitabisa	Social Crowdfunding	Focus on sadaqah and zakat, medical aid, social welfare	Crowdfunding for health and education, including life-saving surgeries
Indonesia	SedekahSubuh	Daily Sadaqah Giving	Automated daily sadaqah donations via app, social welfare funding	Raised funds for food assistance, education, and orphan support
Malaysia	Amanah Ikhtiar Malaysia (AIM)	Microfinance and Philanthropy	Interest-free loans, zakat and sadaqah integration, community-driven enterprise	Empowered thousands of low-income families through small businesses

One of the leading Islamic crowdfunding platforms in Malaysia is GlobalSadaqah, an initiative that connects donors with verified charitable causes across the Muslim world. Launched by Ethis Ventures, a Shariah-compliant fintech company, GlobalSadaqah allows individuals and corporations to contribute to various causes, including humanitarian aid, disaster relief, education, and healthcare. A key feature of GlobalSadaqah is its strict vetting process, ensuring that all listed charities and projects comply with Islamic principles. This increases donor confidence and prevents misuse of funds. The platform also collaborates with corporate zakat payers, enabling businesses to fulfill their zakat obligations in a structured and impactful manner.³⁰²

One of GlobalSadaqah’s most successful campaigns was its fundraising initiative for Rohingya refugees in Malaysia. The platform raised significant amounts of funds within a short period,

³⁰² Ethis Ventures. GlobalSadaqah: An Award-Winning Islamic Social Finance, Zakat, and Waqf Management Platform., 2025, <https://globalsadaqah.com>, (May 8, 2025).

which were then used to provide food, medical aid, and shelter for displaced families. This case highlights how digital Islamic philanthropy can quickly mobilize resources to address urgent humanitarian crises.³⁰³ Another innovative aspect of GlobalSadaqah is its use of blockchain technology to enhance transparency. By leveraging blockchain-based tracking systems, donors can monitor how their contributions are allocated and utilized. This fosters trust and encourages higher participation in Islamic charitable giving.³⁰⁴

In Indonesia, Kitabisa has emerged as the country's largest crowdfunding platform, with a strong focus on Islamic charitable giving. While Kitabisa facilitates a variety of fundraising campaigns, it has become a preferred platform for Muslims to fulfill their sadaqah and zakat obligations. One of Kitabisa's notable campaigns was its Ramadan Charity Program, which collected donations from thousands of Indonesians to distribute food packages, medical aid, and scholarships to underprivileged communities. The platform also supports crowdfunding for medical treatments, where individuals in financial distress can seek assistance from the wider community.³⁰⁵

Kitabisa's impact is particularly evident in healthcare philanthropy. For example, the platform played a crucial role in raising funds for life-saving surgeries and treatments for children with critical illnesses. In some cases, patients who lacked access to insurance or government aid were able to receive necessary medical interventions through community-funded donations. The success of Kitabisa reflects the strength of social solidarity within Indonesia's Muslim community. The platform's user-friendly interface, integration with e-wallets, and real-time updates on fundraising progress have made it a powerful tool for mobilizing Islamic charity.³⁰⁶

Another innovative approach to Islamic digital philanthropy is the SedekahSubuh movement, which has gained popularity in Indonesia. Traditionally, giving sadaqah after the dawn prayer (subuh) is considered highly meritorious in Islam. Digital platforms have now transformed this practice into a structured daily giving system through mobile applications. The SedekahSubuh app allows users to set up automated donations, ensuring they contribute sadaqah every

³⁰³ GlobalSadaqah, Qurbani for Rohingya in Malaysia, 2024, <https://globalsadaqah.com/campaigns/uaaim-qurbani-24-mas>, (April 4, 2025).

³⁰⁴ Umar Munshi, managing director of Ethis Ventures/GlobalSadaqah, interview quoted in "Islamic social finance crowdfunder Global Sadaqah aims to double funds...", *Salaam Gateway*, June 5, 2018, <https://salaamgateway.com/story/interview>, (May 8, 2025)

³⁰⁵ Bhirawa Anoraga, "A Decade of Charitable Crowdfunding and Its Impacts on the Social Justice Trajectory of Islamic Philanthropy in Indonesia: The Case of Kitabisa," *Austria South-East European Journal* Vol.15, No.2 (2021), p.103–120.

³⁰⁶ Akbar Imanulrachman, "Analysis of Crowdfunding Platform in Encouraging Equal Health Services (a case study of Kitabisa.com)," in *Proceedings of 2019 International Conference on Information Management and Technology (ICIMTech 2019)*, Institute of Electrical and Electronics Engineers Inc., (2019), p.651–655.

morning. The funds collected are distributed to various social programs, including food assistance, educational scholarships, and support for orphans. This model has successfully merged religious tradition with modern financial technology, making charitable giving more consistent and widespread. One of the key strengths of SedekahSubuh is its behavioral impact on donors. By automating sadaqah, it encourages long-term commitment to philanthropy rather than sporadic giving. This ensures a steady flow of donations to charitable causes, creating a sustainable impact on marginalized communities.³⁰⁷

While not a traditional crowdfunding platform, Amanah Ikhtiar Malaysia (AIM) represents a hybrid model of Islamic microfinance and philanthropy. AIM provides interest-free microloans to low-income individuals, particularly women entrepreneurs, helping them establish small businesses and achieve financial independence. The unique aspect of AIM's model is its integration of zakat and sadaqah funds to support borrowers who are unable to repay their loans due to extreme financial hardship. This ensures that the microfinance system remains compassionate and aligned with Islamic ethical principles. AIM has had a significant socio-economic impact in Malaysia, lifting thousands of families out of poverty through sustainable entrepreneurship. By combining financial inclusion with Islamic charity, it exemplifies how the IGE can drive grassroots economic development.³⁰⁸

The case studies of GlobalSadaqah, Kitabisa, SedekahSubuh, and Amanah Ikhtiar Malaysia illustrate the transformative power of digital technology in Islamic philanthropy. These platforms have made charitable giving more transparent, efficient, and accessible to a wider audience. GlobalSadaqah has demonstrated how blockchain and corporate zakat partnerships can enhance accountability in charitable fundraising. Kitabisa has showcased the potential of mass crowdfunding to support medical aid and social welfare programs. SedekahSubuh has modernized traditional sadaqah practices, ensuring continuous charitable contributions through digital automation. Amanah Ikhtiar Malaysia has shown how philanthropy can be integrated into microfinance to create sustainable economic empowerment. These innovations signal a new era in the IGE, where technology bridges the gap between donors and beneficiaries, fostering a culture of social responsibility and collective economic progress.

³⁰⁷ ImpactHive, Daily Sedeqah Subuh, <https://impacthive.waktanjong.org/products/daily-sedeqah-subuh>, (06.05.2025).

³⁰⁸ Mahmoud Mohamed Ali Idris, Mohamed Sherif Bashir, Yusuf Sani Abu Bakar, and Ahmad Syukran Baharuddin, "The Role of Microfinance in Helping the Poor: Amanah Ikhtiar Malaysia as a Model," **Dirasat: Human and Social Sciences**, Vol.48, No.2 (2021).

Social Entrepreneurship Based on Tabarru

Tabarru' or voluntary giving for the sake of Allah without expectation of return, represents a cornerstone of the IGE. In recent years, this principle has inspired the development of innovative social entrepreneurship models across Malaysia and Indonesia, where economic activity is harmonized with values of generosity, justice, and communal upliftment. These initiatives extend beyond conventional charity, embedding Islamic ethics into self-sustaining business ventures that tackle issues such as poverty, inequality, and access to essential services. Whether through microfinance cooperatives, zakat-driven enterprises, or faith-based educational and agricultural projects, Tabarru' - based entrepreneurship showcases the potential of Islamic social finance to generate lasting socio-economic transformation. Table 3.7 highlights several exemplary models, shedding light on their mechanisms, impact, and alignment with Islamic philanthropic values.

Table 3.7: Social Entrepreneurship Based on Tabarru in Malaysia and Indonesia.

Country	Insttution	Focus	Model	Impact
Indonesia	BMT UGT Sidogiri	Islamic Microfinance	Dual-arm model (charity + finance), mudharabah/musharakah-based, ethical finance	Millions of clients across Indonesia
Indonesia	Dompot Dhuafa	Multi-sectoral Social Enterprise	Tabarru'-funded services; health, education, agriculture, and scholarships	Reaches thousands with services and scholarships annually
Malaysia	Amanah Ikhtiar Malaysia (AIM)	Poverty Alleviation	Qard hasan loans, support groups	Over 350,000 active borrowers; poverty reduction documented
Indonesia	Pesantren Al-Ittifaq	Education, Agriculture	Integrated farming and entrepreneurship training	Sustainable income for pesantren and surrounding communities

In the context of the IGE, Tabarru, voluntary giving without the expectation of return, serves as a theological and moral foundation for social entrepreneurship models that aim to uplift communities while remaining outside conventional profit-driven frameworks. In both Malaysia

and Indonesia, this concept has given rise to a variety of enterprises that prioritize social impact, sustainability, and economic justice. These initiatives often blend Islamic values with innovative economic structures, making them particularly relevant in addressing contemporary socio-economic challenges such as poverty, inequality, and financial exclusion.

One of the most notable models of social entrepreneurship grounded in Tabarru' principles is the Baitul Mal wat Tamwil (BMT), widely implemented in Indonesia. BMTs are Islamic microfinance cooperatives that provide financial services to low-income communities based on Shariah principles, particularly profit-sharing (*mudharabah* and *musharakah*) and charitable support. BMTs operate as dual-purpose institutions. The Baitul Mal arm collects and distributes zakat, infaq, and sadaqah funds to the needy, while the Baitul Tamwil arm provides micro-loans and savings products to entrepreneurs, farmers, and small business owners. The profits generated from financing activities are partly reinvested into the community, subsidizing education, healthcare, and infrastructure projects.³⁰⁹

One of the most prominent examples is BMT UGT Sidogiri, founded in East Java. It began as a small cooperative linked to a traditional Islamic boarding school (*pesantren*) and grew into one of the largest Islamic microfinance networks in Indonesia. BMT UGT now serves millions of clients and provides low-cost financing for agricultural tools, small retail businesses, and home improvements. It operates on strict ethical and religious guidelines, forbidding interest-based transactions and emphasizing mutual support. The success of BMTs lies not only in their financial impact but also in their role in strengthening community bonds, encouraging trust-based relationships, and creating a participatory economic culture. Their reliance on community involvement and Islamic values makes them a powerful engine for inclusive development.³¹⁰

Another powerful case of Tabarru-driven entrepreneurship is Dompot Dhuafa in Indonesia. Originally a zakat collection institution, Dompot Dhuafa has evolved into a multi-sectoral organization engaging in education, health, economic empowerment, and disaster relief through sustainable business models. Dompot Dhuafa's Social Enterprise Division operates several ventures, including Klinik Layanan Kesehatan Cuma-Cuma (free healthcare clinics), Smart Ekselensia (a tuition-free elite boarding school for gifted underprivileged youth), and Layanan

³⁰⁹ Priyonggo Suseno, "Baitul Maal Wat Tamwil (BMT): A Faith and Community-Based Microfinance," *Islamic Business Case Study*, Jakarta: National Committee for Islamic Economy and Finance, 2020, (May 8 2025)

³¹⁰ Achsanita Hendratni and Mega Ayu Widayanti, "Business Model in Islamic Perspective: Practising of Baitul Maal Wattamwil (BMT) UGT Sidogiri East Java Indonesia," **GATR Journal of Management and Marketing Review**, Vol.2, No.1 (2017), p.43–52.

Aktif Dompot Dhuafa (mobile emergency and food relief units). These services are partially funded through profit-generating projects such as waqf-based agriculture, cattle farming, and halal culinary ventures.³¹¹

An illustrative example is the Etos Scholarship Program, which not only offers full scholarships to talented students from low-income families but also provides mentoring, leadership development, and job placement. These students often go on to become contributors to the same foundation, continuing the cycle of giving. Dompot Dhuafa's model demonstrates how social entrepreneurship can function as a sustainable ecosystem, where charitable giving (Tabarru') fuels long-term development without dependence on ongoing donations. This integrated approach reinforces the Islamic ethos of redistributive justice and mutual upliftment.³¹²

In Malaysia, Amanah Ikhtiar Malaysia (AIM) stands out as one of the country's most effective poverty alleviation programs grounded in Islamic principles. Although primarily a microfinance initiative, AIM operates under a social entrepreneurship model inspired by Tabarru' values, offering interest-free loans and comprehensive support services to help participants build sustainable livelihoods. AIM targets economically marginalized groups, especially women, empowering them to start or expand small businesses such as food stalls, tailoring shops, or home-based industries. Instead of operating purely on commercial terms, AIM integrates qard hasan (benevolent loan) models and uses part of its capital base derived from philanthropic contributions, zakat, and government support. The success of AIM is evident in the thousands of micro-entrepreneurs who have lifted themselves out of poverty, not only improving their household income but also contributing to local economic development. Furthermore, the program promotes communal solidarity, as borrowers are organized into support groups that hold each other accountable, share experiences, and foster mutual assistance, a living embodiment of the Tabarru' spirit.³¹³

Traditional Islamic boarding schools (pesantren) in Indonesia are increasingly functioning as centers of social entrepreneurship. Rooted in religious teachings and community service, many

³¹¹ Hari Candra and Asmak Ab Rahman, "Waqf Investment: A Case Study of Dompot Dhuafa Republika, Indonesia," *Jurnal Syaria*, Vol.18, No.1 (2010), p.163–190.

³¹² Yulya Srinovita, Purwa Udiutomo, and Pedri Haryadi, "The Effectiveness of Zakat Funding through Dompot Dhuafa Beastudi Etos Scholarship Program," *Journal of Islamic Monetary Economics and Finance*, Vol.1, No.2 (2016), p.189–228.

³¹³ Yulya Srinovita, Purwa Udiutomo, and Pedri Haryadi, "The Effectiveness of Zakat Funding through Dompot Dhuafa Beastudi Etos Scholarship Program," *Journal of Islamic Monetary Economics and Finance* 1, no. 2 (February 29, 2016): 189–228, <https://archives.ju.edu.jo/index.php/hum/article/view/109324/12105>

pesantren now engage in productive economic activities to support their educational and social missions. These include fish farming, batik production, book publishing, and halal food processing. For instance, Pesantren Al-Ittifaq in West Java has become well known for its agricultural enterprise. The school teaches students farming techniques and business management, turning agricultural production into a source of income for both the school and surrounding community. Profits are reinvested into scholarship programs, school infrastructure, and charity work, creating a cycle of self-reliance and collective benefit.³¹⁴

These pesantren-based enterprises embody the Islamic ethos of community service and economic justice, providing a model of faith-integrated entrepreneurship that aligns spiritual values with real-world socio-economic needs. The development of social entrepreneurship based on Tabarru' in Malaysia and Indonesia reflects a growing recognition of Islamic principles as a viable foundation for sustainable economic solutions. Whether through BMTs that offer interest-free financing, large-scale institutions like Dompot Dhuafa that reinvest profits into community welfare, or pesantren that combine education with economic empowerment, these models demonstrate the practical relevance of the IGE in modern contexts. These initiatives not only alleviate poverty and provide essential services, but also nurture a culture of solidarity, ethical responsibility, and collective progress. By anchoring economic action in the values of generosity, justice, and mutual care, Tabarru'-based enterprises provide a compelling alternative to extractive economic models, one that prioritizes human dignity and spiritual accountability alongside economic sustainability.

Peer-to-Peer (P2P) Tabarru Platforms

The rapid evolution of digital financial technologies has opened new avenues for expressing the Islamic principle of Tabarru', or voluntary giving without the expectation of return. In Malaysia and Indonesia, P2P charitable platforms are transforming how Muslims engage in philanthropy by enabling direct, decentralized, and transparent support to individuals and communities in need. These platforms embody the spirit of the IGE while leveraging tools like mobile apps, blockchain, and decentralized autonomous organizations (DAOs) to scale impact

³¹⁴ Badrudin, Djaman Satori, Aan Komariah, and Dedy Ahmad Kurniady, "The Implementation of Pesantren Financing Based on Agribusiness Social Entrepreneurship," *Jurnal Ilmiah Peuradeun* 9, no. 1 (2021): 10–20, https://www.researchgate.net/publication/348900123_The_Implementation_of_Pesantren_Financing_Based_on_Agribusiness_Social_Entrepreneurship

and enhance trust. Table 3.8 provides a comparative overview of these platforms, detailing their operational models, technological features, and social impact.

Table 3.8: Peer-to-Peer (P2P) Tabarru Platforms in Malaysia and Indonesia.

Country	Platform	Focus	Model	Impact
Indonesia	SedekahOnline	Digital Sadaqah Giving	Direct funding for individuals in need, micro-philanthropy, community-based campaigns	Facilitates direct charity, strengthens Islamic brotherhood
Indonesia	SalingJaga	Mutual Aid & Solidarity	Voluntary contributions, emergency support, smart contracts, algorithmic governance	Provided aid during COVID-19, enables real-time support
Malaysia	Islamic Charity DAO	Blockchain-based Charity	Decentralized network, programmable giving via smart contracts, zakat and sadaqah management	Potential for fully transparent, decentralized giving model
Malaysia	WaqfChain	Blockchain-based Waqf	Transparent management of waqf donations, zakat integration	Early-stage development, potential for wide-reaching impact

The principle of Tabarru, or voluntary giving for the sake of Allah without the expectation of return, has increasingly found expression through P2P platforms in Southeast Asia. In Malaysia and Indonesia, the emergence of digital ecosystems for Islamic giving has enabled direct and decentralized charitable transfers between donors and recipients, bypassing traditional financial intermediaries. These platforms represent an innovative evolution of the IGE, merging theological values with contemporary technologies, including mobile apps, blockchain, and DAOs.

In Indonesia, platforms like SedekahOnline have pioneered the digitalization of sadaqah through P2P models. SedekahOnline allows users to directly fund individuals in need, such as single mothers, orphaned students, the elderly, and small entrepreneurs, based on verified personal stories. The process is streamlined through an intuitive web interface or mobile

application where donors can browse detailed cases, select beneficiaries, and transfer funds instantly via integrated e-wallets or bank transfers.³¹⁵

The platform reflects a shift away from centralized donation institutions towards trust-based, direct giving, a concept deeply embedded in Tabarru. Donors are encouraged to contribute regularly, often in small amounts, making charity a daily habit rather than a rare occasion. By enabling this micro-giving model, SedekahOnline democratizes philanthropy and fosters a culture of grassroots solidarity. Furthermore, it strengthens the notion of *ukhuwah Islamiyah* (Islamic brotherhood) by building empathy between economically diverse segments of the *ummah*. Importantly, SedekahOnline also includes features for community-funded campaigns, such as helping a neighborhood build a communal water source or funding emergency surgeries for children from low-income families. These examples show how digital Tabarru'-based platforms can mobilize micro-philanthropy at scale, producing tangible, rapid social outcomes.³¹⁶

Another compelling model in Indonesia is SalingJaga (literally “mutual care”), a P2P initiative designed as a solidarity-based mutual aid platform. It operates outside the conventional banking system, relying on voluntary contributions from members who commit to helping others in the network facing emergencies, such as accidents, illness, or death in the family. Members contribute monthly donations, akin to a Tabarru fund which are pooled and disbursed when any member experiences hardship. The system uses smart contracts and algorithmic governance to determine eligibility and distribution, ensuring transparency and fairness. SalingJaga is inspired by both Tabarru and the Islamic model of *Takaful* (mutual insurance), but without involving commercial insurers or profit-taking.³¹⁷

The platform became particularly relevant during the COVID-19 pandemic, when thousands of Indonesians faced sudden income loss and medical costs. Through its real-time support mechanism, SalingJaga was able to process requests quickly, providing financial assistance for funeral expenses, emergency hospital bills, and food support, all without bureaucratic delay. SalingJaga highlights a return to traditional Islamic community ethics while using modern tools

³¹⁵ PPPA Daarul Qur'an, SedekahOnline: Platform Digital Muslim untuk Donasi Online, <https://sedekahonline.com/>, (May 6, 2025)

³¹⁶ Ibid.

³¹⁷ Suryo Anugrah Sunendar and Chika Aditya, “Digital Sharia Insurance Innovation: A Case Study of Kitabisa Insurance Platform in Increasing Financial Inclusion in Indonesia,” **Jurnal ASIK: Jurnal Administrasi, Bisnis, Ilmu Manajemen & Kependidikan**, Vol.3, No.1 (2025), p.101–112.

for implementation. It revives the culture of neighborhood-level mutual care, adapting it for the urbanized, digital era.³¹⁸

In Malaysia, emerging experiments are being conducted with blockchain and DAO models to manage Islamic charitable giving. Although still in early phases, initiatives like Islamic Charity DAO and WaqfChain seek to harness blockchain technology to create decentralized charitable networks that can automatically manage and distribute sadaqah and zakat. These platforms aim to eliminate administrative costs and human error by encoding Tabarru'-based charitable rules into smart contracts. For example, a donor can program their giving to be automatically released to pre-vetted causes when certain conditions are met, such as after natural disasters or upon reaching a fundraising goal. The use of blockchain ensures that all transactions are recorded immutably, providing radical transparency, and building trust between anonymous donors and beneficiaries. Although DAO-based charity is not yet widespread in Malaysia, these early efforts suggest a promising avenue for the IGE: a fully transparent, programmable, and self-governing system of giving, free from centralized institutional control and adaptable to the global Muslim diaspora.

The spread of P2P platforms based on Tabarru has several economic and social implications. Economically, these platforms lower the transaction costs of philanthropy by reducing institutional overheads and connecting donors directly to beneficiaries. They also channel resources into underserved communities more efficiently, allowing for immediate relief and long-term microeconomic stimulation. Socially, they reinforce a participatory ethic within the Muslim ummah, empowering individuals not only to give but to become active agents of social change. Moreover, P2P Tabarru initiatives encourage behavioral change, instilling a regular practice of giving and reinforcing values of empathy, justice, and shared responsibility. By decentralizing giving, they also challenge the traditional top-down charity model, redistributing not only wealth but also agency within Islamic societies.

The emergence of P2P platforms grounded in Tabarru represents a dynamic innovation in the IGE in Malaysia and Indonesia. Initiatives such as SedekahOnline and SalingJaga demonstrate how direct charitable engagement can be scaled and modernized through technology, while pilot blockchain projects in Malaysia hint at a future where Islamic giving operates within decentralized, autonomous frameworks. These models underscore the adaptability and relevance of Tabarru' in addressing contemporary social issues. They also affirm the potential

³¹⁸ Ibid.

of Islamic ethics to guide the development of equitable digital infrastructures, systems that serve not only to transfer wealth, but to embody and sustain the moral fabric of Muslim societies.

Comparative Analysis of Islamic Crowdfunding P2P Platforms

The following section introduces Table 3.9, which presents a comparative overview of Islamic crowdfunding and P2P platforms, highlighting their financial performance, outreach, and operational models.

Table 3.9: Islamic Crowdfunding and P2P Platforms: Comparative Table with Financial and Operational Data.

Institution	Region	Domain	Annual Budget / Assets	Beneficiaries / Donors	Cost Structure / Model
GlobalSadaqah	Malaysia	Islamic crowdfunding & social finance platform	RM 6.7 m disbursed (~USD 1.4 m, 2021) ³¹⁹	27,000+ donations, 11,000 donors ³²⁰	7.5% platform fee (waived for emergencies) ³²¹
Kitabisa	Indonesia	Social crowdfunding	IDR 600 b (~USD 40 m, 2022) ³²²	Over 2 million donors as of 2023 ³²³	5% operational fee on donations (0% for zakat/disaster campaigns); ³²⁴
SedekahSumbuh	Indonesia	Daily micro-sadaqah movement	N/A	Decentralized community impact	No central admin – grassroots-led
Amanah Ikhtiar Malaysia (AIM)	Malaysia	Islamic microfinance	RM 3.3 b loans disbursed (~USD 693 m, 2009) ³²⁵	~940,000 borrowers (~3.7 m ppl) ³²⁶	Gov't loans; 10% service fee (no interest) ³²⁷

³¹⁹ Global Guardian Programme, <https://globalsadaqah.com/globalguardian>, (May 12, 2025)

³²⁰ Ibid.

³²¹ Ibid.

³²² Ngopibareng.id, Selama 2023, Kitabisa.com Kumpulkan Donasi Sekitar Rp600 Miliar, <https://www.ngopibareng.id/read/selama-2023-kitabisa-com-kumpulkan-donasi-sekitar-rp600-miliar>, (May 12, 2025)

³²³ Ibid.

³²⁴ Kitabisa, Kitabisa - Donasi, Zakat, Wakaf, dan Saling Jaga se-Indonesia, <https://kitabisa.com/about-us>, (May 12, 2025)

³²⁵ BERNAMA, BERNAMA - Amanah Ikhtiar Malaysia Settles Govt Loans Totalling RM214.86 Million, <https://www.bernama.com/en/news.php?id=1933907>, (May 12, 2025)

³²⁶ Theartsjournal.org, The Arts Journal, <https://theartsjournal.org/index.php/site/article/download/35/35>, (May 8, 2025)

³²⁷ Ibid.

BMT UGT Sidogiri	Indonesia	Islamic cooperative (Baitul Maal wat Tamwil)	IDR 2.2 t (~USD 143 m) in assets (2019) ³²⁸	~800,000 members ³²⁹	Cooperative-funded; profit shared or reinvested ³³⁰
Dompot Dhuafa	Indonesia	Large Islamic philanthropic foundation	IDR 377.6 b (~USD 24.5 m) in donations (2022) ³³¹	~2.9 million in 2022 ³³²	≤12.5% admin from zakat + voluntary funds ³³³
Pesantren Alltifaq	Indonesia	Pesantren-led cooperative integrating farming and education	IDR 5.4 b/yr turnover (~USD 351,000/year) ³³⁴	~270 farmers/students ³³⁵	Self-funded via farm income; low admin ³³⁶
SedekahOnline	Indonesia	Online sadaqah portal	N/A	Project-based reach ³³⁷	Run by zakat NGO; no donor fee ³³⁸
SalingJaga	Indonesia	Mutual aid (micro-takaful)	~USD 140,000 disbursed (2021) ³³⁹	~500 recipients ³⁴⁰	Peer-funded; low/no admin, community-run ³⁴¹

³²⁸ Pemerintah Kabupaten Pasuruan, Menteri Koperasi dan UKM Sebut Koperasi BMT UGT Sidogiri Role Model Bagi Koperasi Syariah Lainnya, <https://www.pasuruankab.go.id/isiberita/menteri-koperasi-dan-ukm-sebut-koperasi-bmt-ugt-sidogiri-role-model-bagikoperasi-syariah-lainnya->, (May 12, 2025)

³²⁹ Ibid.

³³⁰ LPDB, Maksimalkan Layanan, KSPPS BMT UGT Nusantara Miliki Tenaga Andal Bersertifikat SKKNI LPDB-KUMKM, <https://www.lpdb.go.id/maksimalkan-layanan-kspps-bmt-ugt-nusantara-miliki-tenaga-andal-bersertifikat-skkni/>, (May 12, 2025)

³³¹ Dompot Dhuafa, Laporan Audit LAZ Dompot Dhuafa 2022, <https://id.scribd.com/document/708823705/Laporan-Audit-LAZ-Dompot-Dhuafa-2022-2>, (May 12, 2025)

³³² Dompot Dhuafa, Effective and Innovative, Dompot Dhuafa Unpacks Annual Performance on Day Two of FIGF 2022, <https://www.dompetdhuafa.org/en/effective-and-innovative-dompot-dhuafa-unpacks-annual-performance-on-day-two-of-figf-2022/>, (May 12, 2025)

³³³ Dompot Dhuafa, 8 Facts about Dompot Dhuafa's Financial Transparency, <https://www.dompetdhuafa.org/en/8-facts-about-dompot-dhuafas-financial-transparency/>, (May 12, 2025)

³³⁴ Media Neliti, The Implementation of Pesantren Financing, <https://media.neliti.com/media/publications/466189-the-implementation-of-pesantren-financin-296439f2.pdf>, (May 12, 2025)

³³⁵ Ibid.

³³⁶ Ibid.

³³⁷ "Sedekah Online, Sedekah Online Website, <https://sedekahonline.com/>, (May 12, 2025)

³³⁸ Ibid.

³³⁹ Tech in Asia, Xiang Hu Bao-like Platform in Indonesia Closes Down, <https://www.techinasia.com/saling-jaga-mutual-aid-closed-down-ojk>, (May 12, 2025)

³⁴⁰ Ibid.

³⁴¹ Tech in Asia, Indonesia's Kitabisa to Receive \$5 Million from IFC, <https://www.techinasia.com/indonesias-kitabisa-receive-5m-international-finance-corporation>, (May 12, 2025)

Islamic Charity DAO	Malaysia	Blockchain zakat/sadaqah DAO	N/A	Crypto-based voting system	Token-funded; automated, minimal admin ³⁴²
WaqfChain	Malaysia	Blockchain waqf platform	N/A	Project-level campaigns ³⁴³	Fintech model; automated, fee-based for services ³⁴⁴

The table presents a range of contemporary Islamic giving platforms that operate primarily through digital tools, mobile apps, and fintech innovation. The financial volumes are significant: Kitabisa dominates with an annual disbursement of over USD 39 million, serving more than 2 million donors, while Malaysia’s GlobalSadaqah operates at a smaller but focused scale (~USD 1.4 million), with tailored campaigns and international partnerships. These platforms demonstrate the scalability and rapid mobilization capacity of Islamic crowdfunding, especially in crisis or disaster response.

In contrast to traditional zakat or waqf institutions, most organizations here self-finance operations through platform fees. For example, Kitabisa and GlobalSadaqah charge 5–7.5% on donations (often waived for emergency or zakat campaigns). Others, like SedekahOnline and SedekahSubuh, are entirely community-driven and operate with zero admin cost, as they rely on volunteers and direct peer-to-peer models. This signals a wide variance in cost structure, from institutionalized platform fees to informal micro-giving.

The social reach of these initiatives is also diverse: Dompot Dhuafa, for instance, combines zakat, waqf, and social enterprise, reaching nearly 3 million people annually. BMT UGT Sidogiri, a cooperative microfinance institution, manages over USD 140 million in assets and serves 800,000 members, showing how Islamic finance tools like BMT (Baitul Maal wat Tamwil) can scale financial inclusion. Meanwhile, blockchain-based experiments like Islamic Charity DAO and WaqfChain are still in early stages but hint at future potential for transparent,

³⁴² King’s College London, Comment: Halal Crypto: Could Blockchain Be a Boost for Shariah-Compliant Finance, <https://www.kcl.ac.uk/news/halal-crypto-could-blockchain-be-a-boost-for-shariah-compliant-finance>, (May 12, 2025)

³⁴³ CoinTelegraph, Malaysian Company Is Developing a Blockchain-Based App for Charities, <https://cointelegraph.com/news/a-malaysian-company-is-developing-a-blockchain-based-app-for-charities>, (May 12, 2025)

³⁴⁴ Ibid.

automated governance in the Islamic gift economy. Overall, this table illustrates how technology enables both scale and decentralization, but raises new questions around sustainability, regulation, and governance.

3.3.3 Socio-Economic Impact Areas: Food, Housing, and Social Welfare

Ensuring access to food and shelter remains one of the most urgent expressions of the IGE in Malaysia and Indonesia. Grounded in the principles of Tabarru', zakat, sadaqah, and waqf, a variety of initiatives have emerged to tackle hunger, homelessness, and rural underdevelopment. From food banks powered by surplus redistribution and sadaqah movements in urban mosques, to waqf-based housing schemes and cooperative farming on donated land, these models illustrate the practical power of Islamic giving to meet essential human needs. Table 3.10 outlines key programs in both countries, showcasing how spiritual ethics are transforming into effective social infrastructure to ensure dignity, equity, and long-term resilience.

Table 3.10: Food and Housing Security in Malaysia and Indonesia.

Country	Platform	Focus	Model	Impact
Malaysia	Food Bank Program (Yayasan Food Bank Malaysia)	Food Security	Surplus food redistribution, zakat integration, targeted at asnaf (eligible zakat recipients)	Improved food access, reduced food waste, and community solidarity
Indonesia	Sedekah Jumat Movement	Food Security	Community-based food collection and distribution every Friday, informal grassroots efforts	Regular meal distribution in major cities, disaster relief efforts
Malaysia	Waqf Perumahan Malaysia	Housing Security	Waqf housing providing long-term, low-cost rental homes for low-income families	Created affordable housing for thousands, ensuring community sustainability
Malaysia	Majlis Agama Islam Negeri Johor Housing Projects	Housing Security	Waqf-based housing projects for young couples, elderly, and single mothers	Provided sustainable housing solutions for vulnerable groups
Indonesia	Pesantren-based Waqf Housing	Housing Security	Waqf land for housing for teachers, orphans, and displaced persons within pesantren	Small-scale but impactful provision of housing in religious communities

Malaysia & Indonesia	Waqf Agro (Yayasan Wakaf Malaysia)	Agricultural Empowerment	Waqf-managed agricultural land supporting small farmers, focusing on sustainable practices	Supported local farmers, enhanced food security, and created community wealth
Indonesia	Waqf Sawah (Rice Field Waqf)	Agricultural Empowerment	Community-managed rice fields generating income for local farmers and supporting madrasa, food donations	Strengthened local economies, improved food production in rural areas

IGE, centered around principles such as zakat, sadaqah, and waqf, plays a vital role in addressing foundational human needs, especially in the areas of food and housing security. In Malaysia and Indonesia, where significant portions of the population still live below or near the poverty line, various institutions and community initiatives have adapted Islamic charitable instruments to combat hunger, homelessness, and rural underdevelopment. These initiatives demonstrate how the spirit of voluntary giving and social justice in Islam can be practically applied to ensure the dignity and survival of the most vulnerable. In both Malaysia and Indonesia, food insecurity remains a challenge, especially among urban poor populations, refugees, and daily wage laborers. To address this, Islamic food banks have emerged, combining zakat, sadaqah, and community mobilization to provide consistent access to meals and essential supplies.

In Malaysia, one of the most effective examples is the Food Bank Program by Yayasan Food Bank Malaysia, launched in collaboration with the Ministry of Domestic Trade and Consumer Affairs and supported by zakat institutions like Pusat Pungutan Zakat (PPZ). The program collects surplus food from supermarkets, hotels, and restaurants and redistributes it to families registered under zakat and welfare databases. Though initially not explicitly Islamic, the integration with zakat institutions has given it a strong Islamic philanthropic dimension. It targets asnaf (eligible zakat recipients), and donors are encouraged to give as part of their religious obligation.³⁴⁵

In Indonesia, the Sedekah Jumat movement, where mosques and local communities collect food and distribute meals every Friday is a grassroots initiative deeply embedded in Islamic culture. While often informal, these programs regularly serve meals to hundreds in major cities such as Jakarta, Surabaya, and Bandung. Larger NGOs like ACT (Aksi Cepat Tanggap) and Rumah

³⁴⁵ Yayasan Food Bank Malaysia, About Us, <https://yfbm.org/about-us/>, (May 8, 2025)

Zakat have formalized this model into mobile food bank systems, delivering ready meals to disaster victims, street children, and impoverished neighborhoods.³⁴⁶

These food-related initiatives reflect not only compassion and generosity but also a community-led response to systemic inequality, framed within an Islamic ethical and legal system. Access to safe and affordable housing is another critical concern, particularly for low-income families, elderly individuals without support, and urban migrants. Islamic waqf, traditionally used to fund mosques and religious schools has been creatively redirected toward addressing housing insecurity.

One notable initiative is Waqf Perumahan Malaysia, supported by Majlis Agama Islam Wilayah Persekutuan (MAIWP) and Yayasan Waqaf Malaysia. These waqf housing programs provide long-term rental homes at symbolic or no cost to selected low-income families, with the property legally protected under waqf status, ensuring it remains a community asset in perpetuity. The houses are often located near mosques, schools, and public transport, fostering a holistic community environment. In Johor, the Majlis Agama Islam Negeri Johor has similarly undertaken housing projects under waqf frameworks, targeting young couples, elderly people, and single mothers. The financing model combines zakat, public donations, and strategic land waqf, allowing for sustainable, non-commercial development.³⁴⁷

These housing waqf models are not just about shelter; they create a religiously inspired urban social policy that embeds values of care, equity, and intergenerational justice into the built environment. Rural poverty, landlessness, and food insecurity in both Malaysia and Indonesia have spurred the creation of cooperative farming initiatives structured around waqf land and Islamic values of mutual assistance. These programs provide farming families with access to land, tools, and markets, while maintaining the land as a charitable trust.

In Malaysia, Waqf Agro is a model developed under Yayasan Wakaf Malaysia, aiming to empower small-scale farmers through collective ownership of waqf-managed agricultural land. Participants are allowed to cultivate land for food crops or halal livestock, with profits partially reinvested into local communities through zakat and sadaqah-based redistribution. The program

³⁴⁶ Wahdah Inspirasi Zakat (WIZ), Sedekah Jumat Berkah,, <https://wiz.or.id/sedekah-jumat-berkah/>, (May 6, 2025).

³⁴⁷ Syukqran Kamal Rashid Ating, "Proposed Waqf Model for an Affordable Housing Mechanism in Malaysia," **International Journal of Advanced Research in Economics and Finance**, Vol.2 (2020) p.55–68.

also focuses on agro-education, helping farmers increase yields through modern, sustainable practices.³⁴⁸

Indonesia presents a more informal but community-driven example. In Central Java and West Nusa Tenggara, village-based waqf sawah (rice field waqf) initiatives have enabled cooperatives to manage paddy fields as communal assets. Profits from rice harvests support not only the farmers but also local madrasa funding, food donations for the poor, and disaster relief.³⁴⁹ Some of these cooperatives are connected with pesantren-based networks, where religious leaders manage the land and ensure Shariah compliance, while encouraging youth to engage in agricultural entrepreneurship. This not only addresses rural unemployment but also revives agrarian waqf traditions in a contemporary and productive form.

The application of IGE principles in food and housing security has had clear and measurable impacts. Food bank programs have improved nutritional access among urban poor, reduced food waste, and stimulated a culture of giving among the middle class. Waqf-based housing projects have created secure living conditions for thousands without entailing debt or dependence on commercial banks. Agricultural waqf cooperatives have generated employment, preserved land for communal use, and stabilized food production at the village level. Most importantly, these initiatives reinforce the ethical message that the fulfillment of basic needs should not be conditional on market success or government welfare but can and should be guaranteed through collective religious responsibility. They embody a functional, faith-based alternative to neoliberal development models, one that puts spiritual and social well-being above profit.

In Malaysia and Indonesia, Islamic charitable traditions are being reimagined to meet the modern challenges of hunger and housing insecurity. Whether through structured food bank networks, innovative waqf housing, or cooperative farms, these case studies exemplify the power of the IGE to provide dignified, community-driven solutions. They show that when Islamic values are paired with strategic planning and institutional support, Tabarru, Zakat, and Waqf become more than acts of piety, they become tools for structural change.

³⁴⁸ Muhammad Izzat Mohamed, Muhammad Hakimi Mohd Shafiai, and Mohd Haziqi Hilmi, "ZISWaF Institutional Approach to Activate Idle Agricultural Land as a Catalyst for the Agro-Food Sector in Malaysia," **Social Sciences and Humanities Open**, Vol.6, No.1 (2024).

³⁴⁹ Moh. Rokhani, Ahmad Syafi'i, and Diyan Putri Ayu, "Development of Productive Waqf in Candimulyo Village from an Islamic Law Perspective," **Rechtsvinding**, Vol.2, No.1 (2024).

Comparative Analysis of Food, Housing, and Social Welfare

The following Table 3.11 presents a comparative overview of Food, Housing, and Agro-Waqf initiatives, highlighting their financial performance, outreach, and operational models.

Table 3.11: Food, Housing, and Welfare Initiatives: Comparative Table with Financial and Operational Data.

Institution	Region	Domain	Annual Budget / Assets	Beneficiaries / Donors	Cost Structure / Model
Yayasan Food Bank Malaysia	MY	Food security	RM 5.22 m/year (~USD 1.2 m) ³⁵⁰	~156,000 families (2022) ³⁵¹	Govt+donations; food rescued & redistributed ³⁵²
Sedekah Jumat Movement	ID	Weekly food charity	Not available	Thousands weekly via mosques/community ³⁵³	No central admin; run by volunteers; no ops cost ³⁵⁴
Waqf Perumahan Malaysia	MY	Housing waqf	RM 210 m project (~USD 45 m) ³⁵⁵	150 asnaf homes + 422 condos (ongoing) ³⁵⁶	Developer covers costs; waqf provides land; no public ops budget ³⁵⁷
MAINJ Housing Projects	MY	Zakat housing aid	RM 65 m total (~USD 14 m) ³⁵⁸	~1,300 houses built, 1,100 repaired ³⁵⁹	Zakat funds pay all costs incl. admin (within

³⁵⁰ Yayasan Food Bank Malaysia, YFBM The Annual Report 2022, 2023, <https://yfbm.org/wp-content/uploads/2023/07/YFBM-The-Annual-Report-2022.pdf>, (May 8 2025)

³⁵¹ Ibid.

³⁵² Yayasan Food Bank Malaysia, About Us, <https://yfbm.org/about-us/>, (May 8 2025)

³⁵³ Radio Republic Indonesia, Sedekah Jumat, Satu Rak Nasi, Ribuan Senyum Tercipta, , <https://www.rri.co.id/lhokseumawe/lain-lain/1218194/sedekah-jumat-satu-rak-nasi-ribuan-senyum-tercipta>, (May 8 2025)

³⁵⁴ Ibid.

³⁵⁵ Wakaf Penang, Pembangunan hartanah wakaf bantu B50 miliki rumah, elak tanah terbiar – Wakaf MAINPP, , <https://wakafpenang.com.my/pembangunan-hartanah-wakaf-bantu-b50-miliki-rumah-elak-tanah-terbiar/>, (May 12, 2025)

³⁵⁶ Ibid.

³⁵⁷ Ibid.

³⁵⁸ The Sun, Johor boosts housing aid for asnaf with higher allocations, <https://thesun.my/malaysia-news/mainj-improves-housing-assistance-for-asnaf-exco-NF14112924>, (May 12, 2025)

³⁵⁹ Ibid.

					12.5% amil cap) ³⁶⁰
Pesantren Waqf Housing	ID	Community housing	IDR 60 m/mo (~USD 4,000) per pesantren ³⁶¹	1 house/month per site; some built 1000+ homes ³⁶²	100% from daily donations; no salaries; all volunteer-run ³⁶³
Waqf Agro	MY/ ID	Farming waqf	Millions/project (e.g., land, livestock) ³⁶⁴	1,500+ farmers, food for poor, jobs created ³⁶⁵	Ops funded by waqf returns or social enterprise revenue ³⁶⁶
Waqf Sawah	ID	Rice cultivation (agro-waqf)	One of projects is 500 ha in East Java, 100% waqf-funded ³⁶⁷	1,500 farmers; rice donated to poor families ³⁶⁸	Covered by waqf donations; low admin via NGO staff/volunteers ³⁶⁹

Table 3.11 highlights waqf and sadaqah-based initiatives focused on basic human needs, food, housing, and agriculture, often delivered at the grassroots or project level. Financially, the largest initiative is Malaysia's Waqf Perumahan project, with a single housing development exceeding USD 45 million, funded via a public-private partnership using waqf land. In contrast, Indonesia's Pesantren-based waqf housing and Sedekah Jumat rely on micro-donations and

³⁶⁰ Portal Berita RTM, 5 asnaf families grateful for the renovated houses by MAINJ & Waqaf An Nur, , <https://berita.rtm.gov.my/highlights/senarai-berita-highlights/senarai-artikel/5-asnaf-families-grateful-for-the-renovatedhouses-by-mainj-waqaf-an-nur>, (May 12, 2025)

³⁶¹ ANTARA News, Pesantren ini kumpulan Rp1.000 per hari bangun rumah duaafa," Aceh, <https://aceh.antaranews.com/berita/326157/pesantren-ini-kumpulan-rp1000-per-hari-bangun-rumah-duafa>, (May 12, 2025)

³⁶² Pamekasan Channel, Bantu Program Presiden Entaskan Kemiskinan, Bawang Mas Center Bangun Rumah untuk Warga Kurang Mampu, , <https://pamekasanchannel.com/news/sosial/bantu-program-presiden-entaskan-kemiskinan-bawang-mas-center-bangunrumah-untuk-warga-kurang-mampu/>, (May 12, 2025)

³⁶³ ANTARA News Ace, Pesantren ini kumpulan Rp1.000 per hari bangun rumah duaafa, <https://aceh.antaranews.com/berita/326157/pesantren-ini-kumpulan-rp1000-per-hari-bangun-rumah-duafa>, (May 12, 2025)

³⁶⁴ Yayasan Waqaf Malaysia, Portal Rasmi Yayasan Waqaf Malaysia, <https://ywm.gov.my/index.php/aktiviti/407>, (May 12, 2025)

³⁶⁵ Madaninews.id, Global Wakaf Bidik Wakaf Jadi Energi Kedaulatan Pangan Bangsa, <https://www.madaninews.id/12857/global-wakaf-bidik-wakaf-jadi-energi-kedaulatan-pangan-bangsa.html>, (May 12, 2025)

³⁶⁶ ANTARA News Jawa Barat, ACT luncurkan lumbung ternak wakaf di Cintabodas Tasikmalaya,, <https://jabar.antaranews.com/berita/124259/act-luncurkan-lumbung-ternak-wakaf-di-cintabodas-tasikmalaya>, (May 12, 2025)

³⁶⁷ Madaninews.id, Global Wakaf Bidik Wakaf Jadi Energi Kedaulatan Pangan Bangsa, <https://www.madaninews.id/12857/global-wakaf-bidik-wakaf-jadi-energi-kedaulatan-pangan-bangsa.html>, (May 12, 2025)

³⁶⁸ Ibid.

³⁶⁹ Ibid.

volunteerism, operating with budgets as low as USD 4,000 per month, yet producing tangible community outcomes like building one house per month or feeding hundreds weekly. This illustrates a dual structure in the ecosystem: formal capital-intensive waqf projects on one hand, and highly localized low-cost models on the other.

From a cost structure perspective, most food and housing programs either fully subsidize their operations (e.g. through zakat, government support, or waqf income) or rely on volunteer labor and donations with minimal or no admin expenses. For instance, MAINJ housing projects are funded entirely through zakat with clear budget ceilings, while Yayasan Food Bank Malaysia covers operations through government grants and food surplus redistribution. Meanwhile, Waqf Agro and Waqf Sawah models in both countries operate as social enterprises, reinvesting returns from farming or livestock into training, employment, and community food distribution.

In terms of reach, these initiatives collectively serve hundreds of thousands, especially in rural and underserved areas. Notably, agro-waqf programs also enhance economic empowerment by offering income-generating opportunities to asnaf farmers, rather than just direct aid. However, these models depend heavily on donor continuity, land availability, and logistics, which can limit scalability. Overall, this table shows that while waqf and sadaqah can effectively meet essential needs, sustained impact depends on balancing charity with productive use of assets, efficient delivery, and stronger institutional support.

3.4 Discussion: Potentials and Challenges

3.4.1 Social and Cultural Barriers to Implementation

The application of the IGE in Southeast Asia, holds significant potential. However, its implementation is not free from social and cultural challenges that can impede its effectiveness or alter its intended impact. While the foundational values of zakat, waqf, and sadaqah are deeply rooted in Islamic societies, their practical application in modern socioeconomic settings often encounters friction with contemporary lifestyles, societal expectations, and intercommunal dynamics.

One of the central cultural challenges lies in the shift from informal, familial giving to institutionalized charitable mechanisms. In many Southeast Asian Muslim communities, especially in rural Indonesia and smaller Malaysian towns, the act of giving is often personal, relational, and culturally tied to family, neighbors, or local mosques. Formal institutions, such as zakat collection centers or waqf management authorities, are sometimes perceived as

bureaucratic or disconnected from local needs. This can lead to skepticism or even resistance, particularly when donors do not see immediate, visible impact from their contributions.³⁷⁰

Another barrier involves the perception of zakat and waqf as obligatory but ritualistic acts, rather than dynamic tools for social transformation. In some communities, zakat is treated as a once-a-year transaction fulfilled primarily for religious duty, with little engagement in how funds are used or whether the outcomes lead to sustainable development. This transactional mindset weakens the transformative potential of IGE and reduces it to a formality, rather than a participatory socio-economic ethic.³⁷¹

Cultural attitudes toward poverty and dependence also present challenges. In more urbanized and economically stratified areas, there may be a reluctance to support what is perceived as a “culture of dependence.” The notion that recipients of zakat or waqf housing may not be contributing back to the economy leads some to question the long-term sustainability or fairness of charitable redistribution. This reflects a tension between Islamic altruism and capitalist ideals of meritocracy and self-sufficiency, both of which coexist in modern Southeast Asian societies.³⁷²

Lastly, the challenge of trust and transparency is pervasive. Past cases of mismanagement of zakat or waqf funds have eroded public confidence in some institutions. Without clear accountability, regular reporting, and community engagement, charitable institutions risk being viewed with suspicion, regardless of their Islamic legitimacy. This further discourages active participation and reduces the willingness of donors to contribute generously.³⁷³

In conclusion, while IGE aligns naturally with the moral and spiritual fabric of Muslim communities in Southeast Asia, its effective implementation requires a careful and culturally sensitive approach. It must navigate the complexities of modern social structures, challenge outdated perceptions, and rebuild trust through community integration and transparent governance. Addressing these social and cultural barriers is essential not only for the success

³⁷⁰ Faridatun Najiyah and Nur Rizqi Febriandika, “The Role of Government in the Zakat Management: The Implementation of A Centralized and Decentralized Approach (Comparative Study in Indonesia and Malaysia),” in Proceedings of the 2018 International Conference on Islamic Economics and Business (ICONIES 2018), **Advances in Economics, Business and Management Research**, Vol. 101, Johor Bahru: Atlantis Press, 2019), p.290–292

³⁷¹ Ibid.

³⁷² Takeshi Kato. “Islamic and Capitalist Economies: Comparison Using Econophysics Models of Wealth Exchange and Redistribution.” **PLOS ONE**, Vol.17, No.9, (2022).

³⁷³ Aimi Fadzirul Kamarubahrin, Abdullah Mohammed Ayedh, and Khairil Faizal Khairi, “Accountability Practices of Waqf Institutions in Malaysia: A Critical Analysis,” **International Journal of Management, Accounting and Economics** Vol.7, No.1 (2019).

of IGE initiatives but also for preserving their authenticity and relevance in a rapidly changing world.

3.4.2 Political and Economic Aspects: Contradictions with the Global Model

IGE offers not just a religious alternative to the market capitalist system, but a fundamentally different logical model based on the values of justice, solidarity, mutual assistance and non-exploitation. In this context, it does not so much seek to integrate into the global economic order as it challenges it, offering an ethically sound and spiritually motivated development paradigm. However, in the context of the dominance of global economic models based on financial growth, capitalization and individualism, the implementation of the IGE principles faces a number of serious political and economic contradictions.

One of the main sources of tension is the incompatibility of goals. The global economy is oriented towards capital accumulation, commercialization of all spheres of life and strengthening of institutional centralization. In contrast, the Islamic model of giving seeks to redistribute resources, eliminate excess wealth, and support vulnerable groups based on spiritual duty and social responsibility rather than contractual gain. Not only does this approach not fit into the current macroeconomic strategies of most states, but it can also be perceived as “inefficient” or “non-market” from the perspective of international financial institutions.³⁷⁴

In Malaysia and Indonesia, despite the existence of state support for certain elements of the Islamic economy, such as zakat and waqf, institutional integration of these instruments into state and macroeconomic policies remains weak. They often exist in a parallel reality, under the control of religious authorities, but without systemic inclusion in the overall socio-economic model. This is due not only to institutional inertia, but also to the global obligations of countries embedded in the international financial architecture, where other norms and expectations dominate.³⁷⁵

A special place is occupied by the issue of financial autonomy and a conscious rejection of the logic of banks and interest. IGE, especially in its most authentic, community-based form, seeks to minimize or completely eliminate the intermediation of financial institutions. The practices

³⁷⁴ Kato. *Islamic and Capitalist Economies: Comparison Using Econophysics Models of Wealth Exchange and Redistribution*, 2022.

³⁷⁵ Aam Slamet Rusydiana, Yayat Hidayat, Tika Widiastuti, and Solihah Sari Rahayu, “Cash Waqf for Developing Islamic Economy: Case Study in Indonesia,” *Journal of Islamic Accounting and Business Research*, Vol.5 No.1 (2020), p.43.59.

of direct sadaqah, the creation of waqf structures outside of bank control, and the development of P2P charity networks, emphasize the desire for a decentralized trust economy, where regulation is carried out through moral and religious norms, rather than bureaucratic standards. Thus, criticism of the “lack of transparency” or “inefficiency” on the part of global financial actors reflects a clash of two fundamentally different worldviews, rather than an objective weakness of the Islamic model.³⁷⁶

In addition, IGE faces opposition from economic elites, especially in the context of deepening social inequality. In the context of neoliberal discourse, success is associated with individual effort, investment, and competition. The gift model, on the contrary, assumes collective responsibility for poverty and the need for redistribution even without “merit” on the part of the recipient. This conflicts with the concept of economic growth based on consumption and capital concentration.³⁷⁷

It is also important to consider the influence of political regimes and their ideologies. Although Islam plays an important role in the public sphere in Malaysia and Indonesia, their economic policies remain oriented towards Western-style modernization, which often limits the space for the development of alternative, non-financial-centric models. Moreover, attempts to scale up IGE may encounter political wariness towards informal, horizontal initiatives, especially if they take on a sustainable network or transnational form.³⁷⁸

The IGE is therefore not just an addition to the existing system, but a fundamental challenge to its foundation. It is a challenge to the idea of endless growth, accumulation, centralization of power and alienation in economic relations. Contradictions with the global model are inevitable, but they are precisely what give IGE its strategic importance as a possible alternative to the existing civilizational trajectory. Its development requires not only institutional reforms, but also an intellectual, spiritual and political rethinking of the very concept of “economy”.

³⁷⁶ Adi Setia. “Mu’amala and the Revival of the Islamic Gift Economy.” *Journal of Islamic Sciences*, Vol.18, (2010)

³⁷⁷ Adi Setia. “The Islamic Gift Economy: A Brief Conceptual Outline.” *Waqf Academy Journal*, (2010), <https://www.waqfacademy.org/wp-content/uploads/2013/03/Dr.-Adi-Setia-AS.-Date.-IGE.-A-brief-conceptual-outline.-Malaysia.-INSPERM.pdf>, (May 14, 2025)

³⁷⁸ Shadi Hamid, “What’s Different About Islam in Malaysia and Indonesia?” *Brookings Institution*, July 7, 2016, <https://www.brookings.edu/articles/whats-different-about-islam-in-malaysia-and-indonesia/>, (May 14, 2025)

3.4.3 Prospects for Integrating the Gift Economy into Sustainable Development

The modern paradigm of sustainable development assumes a balance between economic growth, social justice and environmental responsibility. However, in practice, the concept of sustainability is often limited by the logic of market growth, when social and environmental objectives are subordinated to the interests of capital. In this context, IGE can make a critical contribution to the transformation of ideas about sustainable development by offering an ethically-centered, spiritually meaningful and socially oriented model in which the key categories are not profit and efficiency, but mercy, responsibility to God and the community, and redistribution as a form of spiritual debt.

One of the most important points of contact between IGE and sustainable development is the emphasis on social inclusion. The principles of zakat, waqf, and sadaqah not only provide direct support to vulnerable groups; they also establish a framework of justice where need is seen not as a personal failure, but as a collective challenge for the entire community. Support for low-income families, funding for free education, housing, access to health care, all this can be implemented within the framework of the gift economy through mechanisms that are not profit-oriented but are deeply embedded in religious motivation. Thus, IGE can be an effective tool for sustainable poverty reduction, including in those contexts where the state social protection system is weak or fragmented.

Another aspect that emphasizes the importance of IGE for sustainable development is the ecological potential of the gift economy. In Islamic law, the concept of amanah (trustworthiness) covers the attitude of a person towards nature as a gift for which he is responsible. In practice, this opens up opportunities for the creation of initiatives based on waqf structures aimed at protecting the environment: the development of “green waqfs”, investments in sustainable agriculture, projects to preserve natural resources. Since such initiatives do not depend on returns in the traditional market sense, they can be more sustainable in the long term and are not subject to cycles of speculative capital.

The digital transformation of the IGE can play an important role in this process. With the advent of digital platforms, blockchain technologies and P2P systems, new tools are emerging to increase participation, transparency, and scalability of gift practices. Zakat and sadaqah platforms, digital waqf programs, crowdfunding and even DAOs make it possible to attract young, tech-savvy Muslims to participate in an economy focused on community and environmental values. This can facilitate the integration of the Islamic model into global

sustainable development agendas, such as the Sustainable Development Goals (SDGs), especially in the areas of reducing inequality, improving education and protecting the environment.

It is important to note that the integration of IGE into sustainable development is possible not only at the level of local initiatives, but also at the institutional and state levels. Muslim-majority states can use the tools of the IGE as a complement or even an alternative to traditional fiscal and social programs. The integration of zakat into state budgets, the use of waqf to build infrastructure and support NPOs, the creation of Islamic social entrepreneurship strategies - all these are examples of how IGE elements can be institutionalized and thereby strengthen the sustainability and equity of development systems.

However, successful integration will require rethinking the regulatory framework, removing institutional barriers, as well as raising the level of education and awareness of the essence of the IGE. It is also necessary to take into account the spiritual and ethical nature of this model, which cannot be mechanically introduced into existing systems without adaptation to local social and cultural conditions. Thus, the IGE can make a profound contribution to sustainable development by offering a model where economic activity is based not on the desire to maximize profits, but on spiritual responsibility, solidarity and fair distribution of resources. This is not just a possible alternative, it is a necessary complement to current strategies if we understand sustainability not only as an economic balance, but also as an ethical obligation to future generations and the Almighty.

CONCLUSION

The IGE is an ethical and community-centered economic model rooted in the principles of mutual aid, voluntary giving, and social justice. It stands in contrast to dominant market systems shaped by self-interest, perpetual growth, and financialization. Rather than focusing on individual accumulation, the IGE prioritizes the circulation of wealth, social cohesion, and the fulfillment of communal responsibilities through mechanisms such as zakat, waqf, hibah, and tabarru'. While often considered historical or idealistic, this model remains highly relevant to contemporary efforts to address inequality, moral disintegration, and economic instability, especially in Muslim societies.

This thesis set out to explore both the theoretical underpinnings and modern applications of the IGE, with a focus on Southeast Asia. It aimed to evaluate the feasibility of implementing these principles within modern socio-economic systems and to highlight practical models that align with Islamic values. A qualitative methodology was employed, combining literature review with case study analysis of real-world initiatives in Malaysia and Indonesia. This empirical component is especially emphasized in the third part of the thesis.

The analysis of 25 Islamic gift economy initiatives across Malaysia and Indonesia reveals a combined economic footprint of around USD 3 billion, reaching over 10 million beneficiaries annually. These initiatives span zakat management, waqf-based housing and agriculture, Islamic crowdfunding, and community-led sadaqah models. They address critical societal needs, such as food insecurity, lack of affordable housing, and access to microfinance with relatively lean administrative structures and strong community engagement. Notably, platforms like BAZNAS, Lembaga Zakat Selangor, AIM, and Dompot Dhuafa operate at significant scale, while grassroots and digital models such as Kitabisa, Sedekah Jumat, and Pesantren waqf housing illustrate the adaptability of Islamic principles to decentralized and tech-enabled environments.

However, despite their growing relevance, the coverage of these initiatives remains limited relative to national development needs. In many cases, there is no comprehensive institutional or legal framework governing the Islamic gift economy, particularly in relation to waqf-based social services, digital sadaqah platforms, or hybrid community ventures. As a result, issues such as governance, accountability, standardization, and long-term sustainability remain unresolved. Moreover, many initiatives rely on short-term donations or project-based

fundraising, lacking permanent endowments or integration into national welfare systems. A key empirical finding of this thesis is that blended models, those combining zakat, waqf, crowdfunding, and productive enterprise are emerging as the most promising for future scaling, particularly when paired with strong local leadership and technological tools. This suggests that supporting Islamic gift economy is not just about endorsing charitable giving, but about building institutional capacity, legal clarity, and impact-oriented design.

For practitioners and policymakers, this thesis recommends investing in the development of hybrid institutions that blend Islamic charitable instruments with modern regulatory, digital, and financial tools. Islamic economic education should be prioritized to ensure that both decision-makers and the public understand the ethical and functional dimensions of the gift economy. Governments can play a facilitative role by offering legal recognition, incentives, and partnerships with civil society organizations implementing gift economy models.

Nonetheless, this study has limitations. It focuses primarily on Southeast Asia and may not fully capture the diversity of socio-economic conditions in other regions. Additionally, the scope of primary data was limited by available sources and the absence of direct fieldwork. Future research should expand to include other Muslim-majority contexts, such as Sub-Saharan Africa or the Middle East and could employ interviews or participatory observation to deepen empirical insights.

In conclusion, this thesis contributes to the growing discourse on Islamic economics by demonstrating that the IGE is not only a moral ideal but also a practical framework for rethinking economic life in accordance with justice, solidarity, and sustainability. Its principles, when adapted thoughtfully to contemporary realities, offer a compelling response to many of the crises facing today's global economy.

REFERENCES

- Abd Ghadas, Zuhairah Arif and Hartinie binti Abd Aziz. "Legal Framework of Shari'ah Corporations in Malaysia." **Journal of Modern Accounting and Auditing**, Vol.13, No.13 (2017), p.121–127.
- Abdul Khalid, Muhammed. **NEP to NEM: Who Cares? Wealth Distribution in Malaysia**. Bangi: Universiti Kebangsaan Malaysia, 2011.
- Abu Ghudda, 'Abd al-Fattāh (ed.). **Kitāb al-Kasb**. Beirut: Dār al-Bashā'ir al-Islāmiyyah, 1997.
- Abu Hafs Sayyid ibn Ibrahim ibn Sadiq ibn Imran (ed.). **Iḥyā' 'Ulūm al-Dīn**. Cairo: Dar al-Hadith, 1992.
- Abu-Nimer, Mohammed. **Nonviolence and Peace Building in Islam: Theory and Practice**. Gainesville: University Press of Florida, 2003.
- Acemoglu, Daron and James A. Robinson. **Why Nations Fail: The Origins of Power, Prosperity, and Poverty**. New York: Crown Business, 2012.
- Adelman, Jeremy. "The Two Faces of Neoliberalism." **Project Syndicate**, September 2023. <https://www.project-syndicate.org/commentary/two-faces-of-neoliberalism-by-jeremy-adelman-2023-09> (accessed May 8, 2025).
- al-Buṭī, Muḥammad Said Ramaḍān. **Dawabit al-Maslaha fi al-Shari'a al-Islamiyya**. Damascus: Dar al-Fikr, 2005.
- al-Dimashqi, Ali. **Kitāb al-Ishāra ilā Maḥāsīn al-Tijāra**. Edited by al-Bishri al-Shurabji. Cairo: Maktabat al-Kulliyyat al-Azhariyya, 1977.
- al-Fijawi, Mohammed Farid Ali, Maulana Akbar Shah, U. Tun Aung, Alizaman Dumangcag Gamon and Mariam Saidona Tagoranao. "Philanthropy (Tabarru'at) in Islam and Its Four Shari'ah Objectives." **World Journal of Islamic History and Civilization**, Vol.8, No.2: 49–56.
- Al-Ghazali. **Kitab Adab al-Kasb wal-Ma'ash**. 1111.
- al-Shaybānī, Muḥammad ibn al-Ḥasan. **The Book of Earning a Livelihood**. Translated by Adi Setia. Kuala Lumpur: IBFIM, 2011.
- Ali, M. "The Classical Islamic View of Sadaqah: A Preliminary Study." **International Journal of Islamic Economics and Finance Research**, Vol.1, No.1 (2018): 45–60.
- Ali, Mohammed Farid. "Modern Applications of Hibah in the Light of Shari'ah Objectives of Gift and Donation Contracts (Al-Tabarru'at)." **Islamic Sciences**, Vol.13, No.1 (2015): 75–104.
- Ali, Nurwajihah Ajlaa and Ruzian Markom. "The Challenges in Implementing Cash Waqf in Malaysia." **Journal of Contemporary Islamic Studies**, Vol.6, No.2 (2020): 1–14.
- Alkhamees, Ahmad A. **A Critique of Creative Shari'ah Compliance in the Islamic Finance Industry**. Leiden: Brill, 2017, 67–86.
- AlMatar, Fatima. "Zakat vs. Taxation: The Issue of Social Justice and Redistribution of Wealth." **European Journal of Business, Economics and Accountancy**, Vol.3 (2015): 45–56.
- . **Zakat vs. Taxation: The Issue of Social Justice and Redistribution of Wealth**. 2015.
- Ambo Masse, Rahman, Andi Aderus and Andi Achruh. "Social Entrepreneurship Model in Cash Waqf: An Evidence from Kurir Langit and Dompot Dhuafa." **Cogent Arts & Humanities**, Vol.11, No.1 (2024).
- Amin, Samir. **The Law of Worldwide Value**. New York: Monthly Review Press, 2010.

- Amnesty International. **Amnesty International Report 2022/23 – Venezuela**. 2023. <https://www.amnesty.org/en/documents/amr53/6594/2023/en/> (accessed May 8, 2025).
- Angeletos, George-Marios and Chen Lian. **Dampening General Equilibrium: Incomplete Information and Bounded Rationality**. Cambridge: Academic Press, 2022: 613–645.
- Anoraga, Bhirawa. “A Decade of Charitable Crowdfunding and Its Impacts on the Social Justice Trajectory of Islamic Philanthropy in Indonesia: The Case of Kitabisa.” **Austria South East European Journal** Vol.15, No.2 (2021): 103–120.
- ANTARA News Ace. **Pesantren ini kumpulkan Rp1.000 per hari bangun rumah duaafa**. <https://aceh.antaranews.com/berita/326157/pesantren-ini-kumpulkan-rp1000-per-hari-bangun-rumah-duafa> (accessed May 8, 2025).
- . **ACT luncurkan lumbung ternak wakaf di Cintabodas Tasikmalaya**. <https://jabar.antaranews.com/berita/124259/act-luncurkan-lumbung-ternak-wakaf-di-cintabodas-tasikmalaya> (accessed May 8, 2025).
- . “Govt Targets to Raise Zakat Collection by 10% in 2025.” April 5, 2024. <https://en.antaranews.com/amp/news/348957/govt-targets-to-raise-zakat-collection-by-10-in-2025> (accessed May 8, 2025).
- Anthony, Nicholas. “Nigeria’s CBDC Was Not Chosen. It Was Forced.” **Cato at Liberty Blog**, May 15, 2023. <https://www.cato.org/blog/nigerias-cbdc-was-not-chosen-it-was-forced> (accessed May 8, 2025).
- Anwar, Thamina. **Waqf (Endowment): A Vehicle for Islamic Social Entrepreneurship**. Kuala Lumpur: IBFIM, 2017.
- Apriliana, Eka Ifa and Dodik Siswantoro. “Analysis of Zakat Core Principle Application in Lembaga Amil Zakat XYZ.” **Advances in Social Science, Education and Humanities Research**, Vol.558 (2019): 673–678.
- Arief, Suyoto, et al. “Analysing the Effectiveness of Stock Waqf Management in Indonesia and Malaysia: Regulation, Practices, and Nadzir Readiness.” **Atlantis Press**, https://doi.org/10.2991/9789464633467_17 (April 26, 2025).
- Arshad, Bohari. “Tabarru’ Taste: A Centralized Hub for Unifying Shariah-Compliant Efforts to Alleviate Poverty Through Food Redistribution.” **Journal of International Business, Economics and Entrepreneurship** Vol.10, No.1 (2023): 21–32.
- Asian Development Bank. **Poverty Analysis (Summary)**. Manila: Asian Development Bank, 2012.
- Asni, Fathullah, Ahmad Yusairi Yusli and Mohamad Ihsan Zulkii. “Micro Credit Qard Hasan Financing Mechanism Through Zakat Funding by Baznas Indonesia.” **Journal of Namibian Studies: History, Politics, Culture**, Vol.35, No.1 (2023): 110–125.
- Astro Awani. “2020: PPZ-MAIWP Collects RM756 Million Zakat.” **Astro Awani**. <https://international.astroawani.com/malaysia-news/2020-ppzmaiwp-collects-rm756-million-zakat-275599> (accessed May 8, 2025).
- Asutay, Mehmet. “Islamic Moral Economy as the Foundation of Islamic Finance.” In **Islamic Finance in Europe**, edited by Valentino Cattelan, 55–69. Cheltenham: Edward Elgar Publishing, 2013.
- Ating, Syukqran Kamal Rashid. “Proposed Waqf Model for an Affordable Housing Mechanism in Malaysia.” **International Journal of Advanced Research in Economics and Finance**, Vol.2 (2020): 55–68.
- Aydin, Derya Guler. “Schumpeterian Business Cycles: Innovations, Bubbles and Global Crises.” **International Journal of Humanities and Social Science**, Vol.2, No.7 (2012): 128.
- Ayub, Muhammad. **Understanding Islamic Finance**. 2nd ed. Hoboken, NJ: John Wiley & Sons, 2014.

- Azhari, Doni and Asmuni. "A Comparison of Philanthropic Contributions with Different Cultural Backgrounds: A Case Study of Indonesia and Malaysia." **Islamic Economics and Business Review**, Vol.2, No.3 (2023): 145–160.
- Azman, Azrina and Nurul Husna Mohamed Noor. "Digitalisation of Zakat Management System in Malaysia: Potential and Challenges." **International Journal of Academic Research in Business and Social Sciences**, Vol.12, No.10 (2022): 178–191.
- Badan Amil Zakat Nasional (BAZNAS). **Laporan Tahunan 2021**. BAZNAS. <https://ppid.baznas.go.id/laporan/laporan-keuangan> (accessed April 7, 2025).
- Badrudin, Djaman Satori, Aan Komariah and Dedy Ahmad Kurniady. "The Implementation of Pesantren Financing Based on Agribusiness Social Entrepreneurship." **Jurnal Ilmiah Peuradeun** 9, no.1 (2021): 10–20. https://www.researchgate.net/publication/348900123_The_Implementation_of_Pesantren_Financing_Based_on_Agribusiness_Social_Entrepreneurship
- Bahri, Efri Syamsul. "Cash Waqf Investment Models in Indonesia." **Jurnal Zakat dan Wakaf**, Vol.2, No.1 (2023): 55–68.
- Bamyeh, Mohammad A. "Civil Society and the Islamic Experience." **ISIM Review**, No.15 (2005): 10–11.
- Bardhan, Pranab and Dilip Mookherjee. "Decentralisation and Accountability in Infrastructure Delivery in Developing Countries." **The Economic Journal**, Vol.116, No.508 (2006): 101–127.
- Barzun, Jacques and Judith Eleanor Herrin. "History of Europe – Banking, Finance, Growth." **Encyclopedia Britannica**. <https://www.britannica.com/topic/history-of-Europe/Growth-of-banking-and-finance> (accessed May 8, 2025).
- Baudrillard, Jean. **The Consumer Society: Myths and Structures**. London: Sage Publications, 1998.
- Beckerman, Wilfred. **Small is Stupid: Blowing the Whistle on the Greens**. London: Duckworth, 1995.
- Belhaj, Abdessamad. **The Ethical Thesis: Practical Reason in Islamic Legal Hermeneutics**. Budapest: Avicenna Institute of Middle Eastern Studies, 2015.
- BERNAMA. **BERNAMA - Amanah Ikhtiar Malaysia Settles Govt Loans Totalling RM214.86 Million**. <https://www.bernama.com/en/news.php?id=1933907> (accessed May 8, 2025).
- Bernanke, Ben S. **The Federal Reserve and the Financial Crisis**. Princeton: Princeton University Press, 2013.
- Billis, David. **Hybrid Organizations and the Third Sector: Challenges for Practice, Theory and Policy**. Basingstoke: Palgrave Macmillan, 2011.
- Billis, David. **Hybrid Organizations and the Third Sector**. 2011.
- Busari, Saheed Abdullahi, Jelili Adegboyega Adebisi and Miszairi Sitiris. "Accessibility and Perceived Effect of Sadaqah on Student Situational Poverty during COVID-19 Pandemic." **Journal of Islamic Accounting and Business Research**, Vol.16, No.1 (2025): 22–40.
- Business Today. "SC Explores Waqf's Potential through the Islamic Capital Market in Malaysia." **Business Today**, July 20, 2023. <https://www.businesstoday.com.my/2023/07/20/sc-explores-waqfs-potential-through-the-islamic-capital-market-in-malaysia/> (accessed May 8, 2025).
- Candra, Hari and Asmak Ab Rahman. "Waqf Investment: A Case Study of Dompot Dhuafa Republika, Indonesia." **Jurnal Syariah**, Vol.18, No.1 (2010): 163–190.
- Chancel, Lucas, Thomas Piketty, Emmanuel Saez and Gabriel Zucman. **World Inequality Report 2022**. World Inequality Lab, 2022. <https://wir2022.wid.world> (accessed May 8, 2025).
- Chapra, Muhammad Umer. **The Islamic Vision of Development in the Light of Maqasid al-Shariah**. Wiltshire: Cromwell Press, 2008.

- Che Embi, Nor Azizan, Salina Kassim, Roslily Ramlee and Wan Rohaida Wan Husain. "A Proposal for Affordable Waqf Housing Projects in Malaysia: Public Perception of House Characteristics." **Planning Malaysia: Journal of the Malaysian Institute of Planners**, Vol.19, No.3 (2021): 260–269.
- Chomsky, Noam. **A Surveillance State Beyond Imagination Is Being Created in One of the World's Freest Countries**. **Chomsky.info**, June 2, 2014. <https://chomsky.info/20140602/> (accessed May 8, 2025).
- Christiaensen, Luc, Joachim De Weerd and Yasuyuki Todo. "Urbanization and Poverty Reduction: The Role of Rural Diversification and Secondary Towns." **World Bank Policy Research Working Paper**, No.6422 (2013).
- CoinTelegraph. **Malaysian Company Is Developing a Blockchain-Based App for Charities**. <https://cointelegraph.com/news/a-malaysian-company-is-developing-a-blockchain-based-app-for-charities> (accessed May 8, 2025).
- Collins Dictionary. "Economic Rationalism." <https://www.collinsdictionary.com/dictionary/english/economic-rationalism> (accessed May 25, 2025).
- Consumer Financial Protection Bureau (CFPB). **The Consumer Credit Card Market**, 2021. <https://www.consumerfinance.gov/data-research/research-reports/consumer-credit-card-market-report-2021/> (accessed May 8, 2025).
- Davies, William. **The Happiness Industry: How the Government and Big Business Sold Us Well-Being**. London: Verso Books, 2015.
- DDCAP. **Malaysia Islamic Banking System Edges Towards System Parity as Financing and Deposits Market Share Reach 40% and Total AUM Tops RM1.3 Trillion (US\$298 bn)**, April 20, 2023. <https://www.ddcap.com/malaysia-islamic-banking-system-edges-towards-system-parity-as-financing-and-deposits-market-share-reach-40-and-total-aum-tops-rm1-3-trillion-us298bn/> (accessed May 8, 2025).
- Department of Islamic Development Malaysia. "Department of Islamic Development Malaysia (JAKIM) – Halal Certification Body." **Digicomply**, October 29, 2023. <https://www.digicomply.com/food-regulatory-bodies-standards-and-authorities/departement-of-islamic-development-malaysia-jakim-halal-certification-body> (accessed May 8, 2025).
- Department of Statistics Malaysia. **Income Inequality Malaysia 2022**. Putrajaya: Department of Statistics Malaysia, 2022.
- Dompét Dhuafa. **8 Facts about Dompét Dhuafa's Financial Transparency**. <https://www.dompetdhuafa.org/en/8-facts-about-dompét-dhuafas-financial-transparency/> (accessed May 8, 2025).
- . **Dompét Dhuafa Invites Donors to Explore Agricultural Village, Introduces Modern Agriculture and Productive Waqf Implementation**, April 2024. <https://www.dompetdhuafa.org/en/dompét-dhuafa-invites-donors-to-explore-agricultural-village-introduces-modern-agriculture-and-productive-waqf-implementation/> (accessed May 8, 2025).
- . **Effective and Innovative, Dompét Dhuafa Unpacks Annual Performance on Day Two of FIGF 2022**. <https://www.dompetdhuafa.org/en/effective-and-innovative-dompét-dhuafa-unpacks-annual-performance-on-day-two-of-figf-2022/> (accessed May 8, 2025).
- . **Laporan Audit LAZ Dompét Dhuafa 2022**. <https://id.scribd.com/document/708823705/Laporan-Audit-LAZ-Dompét-Dhuafa-2022-2>. (accessed May 8, 2025).

- . **Management, Opportunities, and Impact of Productive Waqf**, 2022. <https://www.dompethdhuafa.org/en/management-opportunities-and-impact-of-productive-waqf/> (accessed May 8, 2025).
- Douthwaite, Richard. **The Ecology of Money**. Totnes: Green Books, 1999.
- Dutton, Yasin. **The Origins of Islamic Law: The Qur'an, the Muwatta and Madinan 'Amal**. Richmond: Curzon Press, 1999.
- Dyapa, Sahini. "Transforming Credit Risk Assessment: The AI Revolution in Banking." **TechBullion**, April 12, 2025. <https://techbullion.com/transforming-credit-risk-assessment-the-ai-revolution-in-banking/> (accessed May 8, 2025).
- Economy Program – Dompeth Dhuafa. **Dompeth Dhuafa**. <https://www.dompethdhuafa.org/en/category-program/economy/> (accessed May 6, 2025).
- Education Data Initiative. **Student Loan Debt Statistics**, 2025. <https://educationdata.org/student-loan-debt-statistics> (accessed May 8, 2025).
- Eisenstein, Charles. "Money and the Turning of the Age." **Reality Sandwich**. http://www.realitysandwich.com/money_and_turning_age (accessed April 22, 2025).
- . **Sacred Economics: Money, Gift, and Society in the Age of Transition**. Berkeley: Evolver Editions, 2011.
- El-Gamal, Mahmoud A. **Islamic Finance: Law, Economics, and Practice**. Cambridge: Cambridge University Press, 2006.
- Elite Career Centre. "Ramadan Working Hours 2025: A Guide for Employers in Malaysia." **LinkedIn**, March 3, 2025. <https://www.linkedin.com/pulse/ramadan-working-hours-2025-guide-employers-malaysia-erx4c> (accessed May 8, 2025).
- Encyclopedia Britannica. "Southeast Asia." <https://www.britannica.com/place/Southeast-Asia> (accessed May 8, 2025).
- Enel Group. "The 3 Pillars of Sustainability: Environmental, Social and Economic." June 2023. <https://www.enel.com/company/stories/articles/2023/06/three-pillars-sustainability> (accessed May 8, 2025).
- Environmental Working Group. **Farm Subsidies Ballooned Under Trump**, April 2021. <https://www.ewg.org/farm-subsidies/2021-report> (accessed May 8, 2025).
- Epstein, Gerald A. **Financialization and the World Economy**. Cheltenham: Edward Elgar Publishing, 2005.
- Essid, Yassine. **A Critique of the Origins of Islamic Economic Thought**, 1995.
- Ethis Ventures. **GlobalSadaqah: An Award-Winning Islamic Social Finance, Zakat, and Waqf Management Platform**, 2025. <https://globalsadaqah.com> (accessed May 8, 2025).
- European Central Bank. **Financial Stability Report**, 2021. <https://www.ecb.europa.eu/pub/financial-stability/fsr/html/index.en.html> (accessed May 8, 2025).
- Fadel, Mohammad. "Riba, Efficiency, and Prudential Regulation: Preliminary Thoughts." **Wisconsin Law Review**, No.3 (2008): 681–705.
- Fanusie, Yaya J. "China's Digital Currency." *Center for a New American Security (CNAS)*, 2021. <https://www.cnas.org/publications/reports/chinas-digital-currency> (May 8, 2025).
- FAO. **State of the World's Land and Water Resources**, 2022.
- FashionUnited. **Global Fashion Industry Statistics**. <https://fashionunited.com/global-fashion-industry-statistics> (accessed April 23, 2025).

- Federal Reserve Bank of New York. **Quarterly Report on Household Debt and Credit**. Federal Reserve Bank of New York, 2024. <https://www.newyorkfed.org/microeconomics/hhdc> (accessed May 8, 2025).
- Ferdaus, Nadia Nuril, et al. "Transforming Lives: The Impact of BAZNAS Microfinance on Poverty Reduction in West Nusa Tenggara." **Iconz BAZNAS**. <https://www.iconzbaznas.com/submission/index.php/proceedings/article/download/831/377> (accessed May 8, 2025).
- Financial Action Task Force (FATF). **Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers**, 2021. <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Virtual-assets-2021.html> (accessed May 8, 2025).
- Fischer, Johan and Eva Nisa. "Emerging Middles: Class, Development and the Halal Economy in Indonesia and Malaysia." **Research in Globalization**, 10 (February 5, 2025). <https://doi.org/10.1016/j.resglo.2025.100276> (accessed May 8, 2025).
- Food and Agriculture Organization (FAO). **World Agriculture: Towards 2015/2030 – An FAO Perspective**, 2003. <https://www.fao.org/documents/card/en/c/6d8a3d53-4aa4-5b89-894d-5932e540bf7e/> (accessed May 8, 2025).
- Friedman, Milton. **Capitalism and Freedom**. Chicago: University of Chicago Press, 1962.
- Friedman, Thomas. **The World is Flat: A Brief History of the Twenty-First Century**. New York: Farrar, Straus and Giroux, 2005.
- Galichon, Alfred. **Optimal Transport Methods in Economics**. Princeton: Princeton University Press, 2016.
- GardenShaman. **Monsanto's Impact on Biodiversity: A Critical Assessment**, March 17, 2024. <https://gardenshaman.eu/monsanto-impact-on-biodiversity> (accessed May 8, 2025).
- Gimet, Céline, Thomas Lagoarde-Segot and Luis Reyes Ortiz. "Financialization and the Macroeconomy: Theory and Empirical Evidence." **Economic Modelling**, Vol.81 (2019): 631–648.
- Global Guardian Programme. <https://globalsadaqah.com/globalguardian> (accessed May 8, 2025).
- GlobalSadaqah. **Qurbani for Rohingya in Malaysia**, 2024. <https://globalsadaqah.com/campaigns/uaim-qurbani-24-mas> (accessed April 9, 2025).
- Graafland, Johan. **Ethics and Economics: An Introduction to Free Markets, Equality and Happiness**. London: Routledge, 2021.
- Graeber, David. **Debt: The First 5000 Years**. New York: Melville House, 2011.
- Greenpeace International. **Numbers Don't Lie: Amazon Deforestation Increased Under Bolsonaro**, November 19, 2021. <https://www.greenpeace.org/international/story/50767/amazon-deforestation-under-bolsonaro-numbers/> (accessed May 8, 2025).
- Halal Times. "Top Islamic Financial Institutions 2024 Highlights." **Halal Times**, November 2024. <https://www.halaltimes.com/top-islamic-financial-institutions-2024-highlights/> (accessed May 8, 2025).
- Hallaq, Wael B. **Shari'a: Theory, Practice, Transformations**. Cambridge: Cambridge University Press, 2009.
- . **The Impossible State: Islam, Politics, and Modernity's Moral Predicament**. New York: Columbia University Press, 2012.
- Hamid, Shadi. "What's Different About Islam in Malaysia and Indonesia?" **Brookings Institution**, July 7, 2016. <https://www.brookings.edu/articles/whats-different-about-islam-in-malaysia-and-indonesia/> (May 8, 2025).

- Hayat, Usman and Adeel Malik. **Islamic Finance: Ethics, Concepts, Practice**. Charlottesville, VA: CFA Institute Research Foundation, 2014.
- Hendratmi, Achsanika and Mega Ayu Widayanti. "Business Model in Islamic Perspective: Practising of Baitul Maal Wattamwil (BMT) UGT Sidogiri East Java Indonesia." **GATR Journal of Management and Marketing Review**, Vol.2, No.1 (2017): 43–52.
- Hickel, Jason. **Less is More: How Degrowth Will Save the World**. London: William Heinemann, 2020.
- Hinchliffe, Tim. "China's Digital Yuan: A CBDC Model Reducing Cash Dependency and Expanding Financial Access, Says WEF." **HackerNoon**, September 27, 2021. <https://hackernoon.com/chinas-digital-yuan-a-cbdc-model-reducing-cash-dependency-and-expanding-financial-access-says-wef> (May 8, 2025).
- Hoexter, Miriam. **Endowments, Rulers and Community: Waqf al-Ḥaramayn in Ottoman Algiers**. Leiden: Brill, 1998.
- . **Endowments, Rulers and Community**. 1998.
- Hudaefi, Fahmi Ali, Muhammad Hasbi Zaenal, Hidayaneu Farchatunnisa and Ulfah Lathifah Junari. "How Does Zakat Institution Respond to Fintech? Evidence from BAZNAS Indonesia." **Puskas Working Paper Series**, Vol.3 (2020). <https://www.iconzbaznas.com/publications/index.php/pwps/article/view/115> (accessed May 8, 2025).
- Hudson, Michael. **Killing the Host: How Financial Parasites and Debt Bondage Destroy the Global Economy**. Petrolia, CA: CounterPunch Books, 2015.
- Ibrahim, Sheriff Muhammad. "Review of the Contemporary Zakat Collection Systems from the Islamic Economic Policies." **International Journal of Business, Economics and Law**, Vol.5, No.3 (2014): 1–10.
- Idris, Mahmoud Mohamed Ali, Mohamed Sherif Bashir, Yusuf Sani Abu Bakar and Ahmad Syukran Baharuddin. "The Role of Microfinance in Helping the Poor: Amanah Ikhtiar Malaysia as a Model." **Dirasat: Human and Social Sciences**, Vol.48, No.2 (2021).
- Ihsan, Hidayatul, Maliah Sulaiman, Norhayati Mohammad Alwi and Muhammad Akhyar Adnan. "A Study of Accountability Practice in Dompot Dhuafa Waqf of Indonesia." **Journal of King Abdulaziz University: Islamic Economics**, Vol.30, No.2 (2017): 13–32.
- Imanulrachman, Akbar. "Analysis of Crowdfunding Platform in Encouraging Equal Health Services (a case study of Kitabisa.com)." In **Proceedings of 2019 International Conference on Information Management and Technology (ICIMTech 2019)**, 651–655. Institute of Electrical and Electronics Engineers Inc., 2019.
- ImpactHive. **Daily Sedeqah Subuh**. <https://impactive.waktanjong.org/products/daily-sedeqah-subuh> (accessed May 6, 2025).
- Intergovernmental Panel on Climate Change (IPCC). **Climate Change**, 2023. <https://www.ipcc.ch/report/ar6/syr/> (accessed May 8, 2025).
- International Labour Organization. **Employment, Wages and Productivity in the Asian Garment Sector: Taking Stock of Recent Trends**, 2022. <https://www.ilo.org/publications/employment-wages-and-productivity-asian-garment-sector-taking-stock-recent> (accessed May 8, 2025).
- International Monetary Fund (IMF). **Fast-Growing \$2 Trillion Private Credit Market Warrants Closer Watch**, 2024. <https://www.imf.org/en/Blogs/Articles/2024/04/08/fast-growing-private-credit-market> (accessed May 8, 2025).
- . **Global Debt Database**, 2024. <https://www.imf.org/en/Data/global-debt-database> (accessed May 8, 2025).

- . **Globalization: A Brief Overview**, May 2008. <https://www.imf.org/en/About/Factsheets/Sheets/2008/Globalization> (accessed May 8, 2025).
- . **Regional Economic Outlook for Sub-Saharan Africa**, 2022. <https://www.imf.org/en/Publications/REO/SSA> (accessed May 8, 2025).
- . **Regional Economic Outlook: Asia and Pacific**, November 2024. <https://www.imf.org/en/Publications/REO/APAC/Issues/2024/11/01/regional-economic-outlook-asia-and-pacific> (accessed May 8, 2025).
- Investopedia. **The Origins of Greece's Debt Crisis**, 2015. <https://www.investopedia.com/articles/investing/102215/origins-greeces-debt-crisis.asp> (accessed May 8, 2025).
- Iqbal, Noor Fatima Kareema. "From Permissible to Wholesome: Situating Halal Organic Farms within the Sustainability Discourse." **Islamic Sciences**, Vol.13, No.2 (2015): 157–177.
- Islamic Corporation for the Development of the Private Sector (ICD) and London Stock Exchange Group (LSEG). **Islamic Finance Development Report 2023: Navigating Uncertainty**, 2023. https://solutions.lseg.com/IslamicFinance_ICD_LSEG (accessed May 8, 2025).
- Islamic Financial Services Board (IFSB). **Islamic Financial Services Industry Stability Report 2024**, 2024. <https://www.ifsb.org/wp-content/uploads/2024/09/IFSB-Stability-Report-2024-8.pdf> (accessed May 8, 2025).
- IslamOnline. "Fulfilling People's Needs in Islam." **IslamOnline**, 2024. <https://islamonline.net/en/fulfilling-peoples-needs-in-islam/> (accessed May 8, 2025).
- Ismail, Abdul Karim. **Islamic Legal Maxims and Their Application in Islamic Finance**. Kuala Lumpur: CERT Publications, 2011.
- Ismail, Muhammad Imran. **Legal Stratagems (Hiyal) and Usury in Islamic Commercial Law**. PhD thesis, University of Birmingham, 2010.
- Jacob, Jeffrey. **New Pioneers: The Back-to-the-Land Movement and the Search for a Sustainable Future**. University Park, PA: Pennsylvania State University Press, 1997.
- JawaPos.com. "BAZNAS: Pengelolaan Zakat Nasional 2022 Tumbuh 52 Persen." **Jawa Pos**, January 23, 2023. <https://www.jawapos.com/nasional/01426728/baznas-pengelolaan-zakat-nasional-2022-tumbuh-52-persen> (accessed May 8, 2025).
- Jha, Yusuf. "Examining the Meta-Principles of Modern Economics and their Implications for Islamic Banking and Finance." *Journal of Islamic Sciences*, Vol.11, No.2 (2020).
- . "The Destructive Logic of Interest: The Fallacy of Perpetual Growth, with a Discussion of Reformist Action by Islamic Banks." *Islam and Civilizational Renewal*, Vol.5, No.3 (2014), p.409–429.
- Johari, Fadzilah. "Zakat: Changing the Framework of Giving." **International Journal of Ethics and Systems**, Vol.37, No.3 (2021): 313–327.
- Johari, Fadzilah. **Zakat: Changing the Framework of Giving**, 2021.
- Jones, Chuck. "2018 Share Buybacks Could Exceed \$800 Billion, Driven by Overseas Cash." **Forbes**, March 16, 2018. <https://www.forbes.com/sites/chuckjones/2018/03/16/2018-share-buybacks-could-exceed-800-billion-driven-by-overseas-cash> (accessed May 8, 2025).
- Kahf, Monzer. "The Role of Waqf in Improving the Ummah Welfare." Paper presented at the **International Seminar on Waqf as a Private Legal Body**, Medan, Indonesia, March 2003.
- Kahneman, Daniel. **Thinking, Fast and Slow**. New York: Farrar, Straus and Giroux, 2011.

- Kamali, Mohammad Hashim. **Principles of Islamic Jurisprudence**. Cambridge: Islamic Texts Society, 2003.
- Kamarubahrin, Aimi Fadzirul, Abdullah Mohammed Ayedh and Khairil Faizal Khairi. "Accountability Practices of Waqf Institutions in Malaysia: A Critical Analysis." **International Journal of Management, Accounting and Economics** 7, no.1 (2019).
- Kasri, Noor A. Mohamad and Ahmad Hafiz Mustaque. "The Role of Islamic Crowdfunding Platforms in Promoting Financial Inclusion: A Conceptual Framework." **International Journal of Islamic and Middle Eastern Finance and Management**, Vol.14, No.3 (2021): 437–453.
- Kato, Satoshi. **Islamic and Capitalist Economies: Comparison Using Econophysics Models of Wealth Exchange and Redistribution**, 2022.
- Kato, Takeshi. "Islamic and Capitalist Economies: Comparison Using Econophysics Models of Wealth Exchange and Redistribution." **PLOS ONE**, Vol.17, No.9 (2022).
- Keen, Steve. **Debunking Economics: The Naked Emperor Dethroned?** London: Zed Books, 2011.
- Keynes, John Maynard. **The General Theory of Employment, Interest, and Money**. London: Macmillan, 1936.
- Khan, Mushtaq A. and Jomo K. S., eds. **Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia**. Cambridge: Cambridge University Press, 2000.
- Kharpal, Arjun. "China's Digital Yuan: What Is It and How Does It Work?" **CNBC**, 2021. <https://www.cnbc.com/2021/04/26/what-is-chinas-digital-yuan.html> (accessed May 8, 2025).
- King, Mervyn. **The End of Alchemy: Money, Banking and the Future of the Global Economy**. London: Little Brown, 2016.
- King's College London. **Comment: Halal Crypto: Could Blockchain Be a Boost for Shariah-Compliant Finance**. <https://www.kcl.ac.uk/news/halal-crypto-could-blockchain-be-a-boost-for-shariah-compliant-finance> (accessed May 8, 2025).
- Kitabisa. **Kitabisa – Donasi, Zakat, Wakaf, dan Saling Jaga se-Indonesia**. <https://kitabisa.com/about-us> (accessed May 8, 2025).
- Korten, David. **The Post-Corporate World: Life After Capitalism**. San Francisco: Berrett-Koehler Publishers, 2001.
- Kumehov, Konstantin K. "Critique of Classical Theories of Macroeconomic Modeling." **Bulletin of MGIMO-University**, No.6 (2013): 199–207.
- Larionov, I. Yu. "The Potential of Applying Utilitarianism in Business Ethics: The Current State of the Problem." **Discourses of Ethics Almanac**, (2014).
- Lembaga Zakat Selangor. **LZS Sustainability Report**, 2025. <https://www.zakatselangor.com.my/lzssustainabilityreport/> (accessed April 7, 2025).
- Linvelo. **The Job Displacement Dilemma: How AI Automation Threatens Employment and What We Can Do About It**, 2023. <https://linvelo.com/the-job-displacement-dilemma/> (accessed May 8, 2025).
- LPDB. **Maksimalkan Layanan, KSPPS BMT UGT Nusantara Miliki Tenaga Andal Bersertifikat SKKNI LPDB-KUMKM**. <https://www.lpdb.go.id/maksimalkan-layanan-kspps-bmt-ugt-nusantara-miliki-tenaga-andal-bersertifikat-skkni/> (accessed May 8, 2025).
- Madaninews.id. **Global Wakaf Bidik Wakaf Jadi Energi Kedaulatan Pangan Bangsa**. <https://www.madaninews.id/12857/global-wakaf-bidik-wakaf-jadi-energi-kedaulatan-pangan-bangsa.html> (accessed May 8, 2025).

- Malay Mail. **Selangor Zakat Board Sees Highest-Ever RM1.22B Collection, Majority Aid for Poor**, April 23, 2025. <https://www.malaymail.com/news/malaysia/2025/04/23/selangor-zakat-board-sees-highest-ever-rm122b-collection-majorityaid-for-poor/174216> (accessed May 8, 2025).
- Malook, Saad. "Utilitarianism, Social Justice, and the Trolley Problem: An Ethical Theory without Egalitarian Morality." **Journal of Social & Organizational Matters**, Vol.3, No.2 (2024).
- Martinez, Mark. **The Myths of the Free Market: The Role of the State in a Capitalist Economy**. Kumarian Press, 2009.
- McCauley, Joseph L. **Dynamics of Markets: Econophysics and Finance**. Cambridge: Cambridge University Press, 2004.
- McLeay, Michael, Amar Radia and Ryland Thomas. "Money Creation in the Modern Economy." **Bank of England Quarterly Bulletin** (2014): 14–27. <https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy> (accessed May 8, 2025).
- Md Saad, Norma, Salina Kassim and Zarinah Hamid. "Best Practices of Waqf: Experiences of Malaysia and Saudi Arabia." **Jurnal Ekonomi Islam Lariba**, Vol.2, No.2 (2016): 57–74.
- Media Neliti. **The Implementation of Pesantren Financing**. <https://media.neliti.com/media/publications/466189-the-implementation-of-pesantren-financin-296439f2.pdf> (accessed May 8, 2025).
- Meerangani, Khairul Azhar, et al. "The Effectiveness of the Entrepreneur Development Program in Transforming Asnaf Zakat." **International Journal of Academic Research in Business and Social Sciences**, Vol.13, No.1 (2023): 45–60.
- Mendonça, Maria Luisa. "Debt, Drugs and Democracy: An Interview with Noam Chomsky." **NACLA Report on the Americas**, 1999. <https://nacla.org/debt-drugs-and-democracy-interview-noam-chomsky> (accessed May 8, 2025).
- Merton, Robert C. "On the Pricing of Corporate Debt: The Risk Structure of Interest Rates." **Journal of Finance**, Vol.29, No.2 (1974): 449–470.
- Mian, Atif and Amir Sufi. **House of Debt: How They (and You) Caused the Great Recession, and How We Can Prevent It from Happening Again**. Chicago: University of Chicago Press, 2014.
- Mian, Atif, Amir Sufi and Emil Verner. **Household Debt and Business Cycles Worldwide**. International Monetary Fund, 2017. <https://www.imf.org/en/Publications/WP/Issues/2017/03/17/Household-Debt-and-Business-Cycles-Worldwide-44791> (accessed May 8, 2025).
- Mohamed, Muhammad Izzat, Muhammad Hakimi Mohd Shafiai and Mohd Haziqi Hilmi. "ZISWaF Institutional Approach to Activate Idle Agricultural Land as a Catalyst for the Agro Food Sector in Malaysia." **Social Sciences and Humanities Open**, Vol.6, No.1 (2024).
- Mollison, Bill. **Permaculture: A Designer's Manual**. Tyalgum: Tagari Publications, 2004.
- Mukharrom, Tamyiz, Tia Faskia Indriani, M. Roem Syibly and Siti Inayah. "Action Review of Sustainable Development Goals (SDGs) on the Framework for Development of Waqf at Universitas Islam Indonesia." **KnE Social Sciences**, Vol.7, No.10 (2022): 33–42.
- Munshi, Umar. Interview quoted in "Islamic social finance crowdfunder Global Sadaqah aims to double funds..." **Salaam Gateway**, June 5, 2018. <https://salaamgateway.com/story/interview> (May 8, 2025).
- Najiyah, Faridatun and Nur Rizqi Febriandika. "The Role of Government in the Zakat Management: The Implementation of A Centralized and Decentralized Approach (Comparative Study in Indonesia and Malaysia)." In **Proceedings of the 2018 International Conference on Islamic Economics and Business (ICONIES 2018)**, *Advances in Economics, Business and Management Research*, Vol.101, Johor Bahru: Atlantis Press, 2019: 290–292.

- Nakai, Daisuke. **Three Dimensions of Classical Utilitarian Economic Thought—Bentham, J.S. Mill, and Sidgwick.** NYU Stern School of Business, 2012. https://www.stern.nyu.edu/sites/default/files/assets/documents/Three_Dimensions_Utilitarianism.pdf (accessed May 8, 2025).
- Neumueller, Alexander. “Bitcoin Electricity Consumption: An Improved Assessment.” **Cambridge Judge Business School**, August 31, 2023. <https://www.cbs.cam.ac.uk/news/bitcoin-electricity-consumption-2023> (accessed May 8, 2025).
- Ngopibareng.id. **Selama 2023, Kitabisa.com Kumpulkan Donasi Sekitar Rp600 Miliar.** <https://www.ngopibareng.id/read/selama-2023-kitabisa-com-kumpulkan-donasi-sekitar-rp600-miliar> (accessed May 8, 2025).
- Norberg, Johan. **The Capitalist Manifesto: Why the Global Free Market Will Save the World.** London: Atlantic Books, 2023.
- Nordhaus, William D. “To Slow or Not to Slow: The Economics of the Greenhouse Effect.” **The Economic Journal**, Vol.101, No.407 (1991): 920–937.
- OECD. **Has the Rise in Debt Made Households More Vulnerable?**, 2021.
- Olam Group. **Is Wheat Self-Sufficiency for Africa Within Reach?**, 2023. <https://www.olamgroup.com/stories/articles/is-wheat-self-sufficiency-for-africa-within-reach.html> (accessed May 8, 2025).
- Organisation for Economic Co-operation and Development (OECD). **Global Plastics Outlook: Economic Drivers, Environmental Impacts and Policy Options.** Paris: OECD Publishing, 2022.
- Oxfam. **Survival of the Richest: How We Must Tax the Super-Rich Now to Fight Inequality**, 2023. <https://policy-practice.oxfam.org/resources/survival-of-the-richest-how-we-must-tax-the-super-rich-now-to-fight-inequality-621477/> (accessed May 8, 2025).
- Palazzi, Michele. **Beyond Market and State: The “Civic” Economy.** London: Progressio Foundation, 2011.
- Pamekasan Channel. **Bantu Program Presiden Entaskan Kemiskinan, Bawang Mas Center Bangun Rumah untuk Warga Kurang Mampu.** <https://pamekasanchannel.com/news/sosial/bantu-program-presiden-entaskan-kemiskinan-bawang-mas-center-bangunrumah-untuk-warga-kurang-mampu/> (accessed May 8, 2025).
- Panitch, Leo and Sam Gindin. **The Making of Global Capitalism: The Political Economy of American Empire.** London: Verso Books, 2012.
- Pemerintah Kabupaten Pasuruan. **Menteri Koperasi dan UKM Sebut Koperasi BMT UGT Sidogiri Role Model Bagi Koperasi Syariah Lainnya.** <https://www.pasuruankab.go.id/isiberita/menteri-koperasi-dan-ukm-sebut-koperasi-bmt-ugt-sidogiri-role-model-bagikoperasi-syariah-lainnya-> (accessed May 8, 2025).
- Perbadanan Wakaf Selangor. <https://www.wakafselangor.gov.my/> (accessed May 8, 2025).
- . **Laporan Tahunan Perbadanan Wakaf Selangor 2023.** <https://www.wakafselangor.gov.my/Downloads/PWS-22%2623.pdf> (accessed May 8, 2025).
- Pew Research Center. “Religious Landscape and Change in South and Southeast Asia.” **Pew Research**, September 12, 2023. <https://www.pewresearch.org/religion/2023/09/12/religious-landscape-and-change-in-south-and-southeast-asia/> (accessed May 8, 2025).
- Philipsen, Dirk. **The Little Big Number: How GDP Came to Rule the World and What to Do About It.** Princeton: Princeton University Press, 2015.
- Piketty, Thomas. **Capital in the Twenty-First Century.** Cambridge: Harvard University Press, 2014.

- . **Nature, Culture, and Inequality**. Cambridge: Harvard University Press, 2024.
- Polanyi, Karl. **The Great Transformation: The Political and Economic Origins of Our Time**. Boston: Beacon Press, 1944.
- Portal Berita RTM. **5 Asnaf Families Grateful for the Renovated Houses by MAINJ & Waqaf An Nur**. <https://berita.rtm.gov.my/highlights/senarai-berita-highlights/senarai-artikel/5-asnaf-families-grateful-for-the-renovatedhouses-by-mainj-waqaf-an-nur> (accessed May 8, 2025).
- PPPA Daarul Qur'an. **SedekahOnline: Platform Digital Muslim untuk Donasi Online**. <https://sedekahonline.com/> (accessed May 6, 2025).
- PTPTN. **myWaqafPTPTN**. <https://www.ptptn.gov.my/en/mywaqafptptn/> (accessed April 26, 2025).
- Puskas BAZNAS. **The National Board of Zakat Republic of Indonesia (BAZNAS RI) Reaffirms Commitment to Managing ZIS for Poverty Alleviation and National Development**. <https://www.puskasbaznas.com/home/activities/2021-the-national-board-of-zakat-republic-of-indonesia-baznas-ri-reaffirmscommitment-to-managing-zis-for-poverty-alleviation-and-national-development> (accessed May 8, 2025).
- Quran 2:177 (Surah al-Baqarah).**
- Radio Republic Indonesia. **Sedekah Jumat, Satu Rak Nasi, Ribuan Senyum Tercipta**. <https://www.rri.co.id/lhokseumawe/lain-lain/1218194/sedekah-jumat-satu-rak-nasi-ribuan-senyum-tercipta> (accessed May 8, 2025).
- Ramli, Asharaf Mohd and Abdullaah Jalil. "Corporate Waqf Model and Its Distinctive Features: The Future of Islamic Philanthropy." Paper presented at **International Conference on Management and Technology in Knowledge, Service, Tourism & Hospitality**, Johor Bahru. 2013, <https://comaif.files.wordpress.com/2014/02/2013-12-4-5-wuip-2013-corporate-waqf.pdf>, (May 8 2025)
- Razali, Mastura. "Issue and Challenges on Zakat Refund Distribution." **International Journal of Academic Research in Business and Social Sciences**, Vol.12, No.9 (2022): 1746–1755.
- Reinhart, Carmen M. and Kenneth S. Rogoff. "Growth in a Time of Debt." **American Economic Review: Papers & Proceedings** Vol.100, No.2 (2010): 573–578.
- Rifaldo, Andrean. **Zakat as Income Tax Relief**. Direktorat Jenderal Pajak, 2024. <https://pajak.go.id/id/node/110771> (accessed May 8, 2025).
- Rodrik, Dani. **The Globalization Paradox: Democracy and the Future of the World Economy**. New York: W. W. Norton & Company, 2011.
- Rokhani, Moh., Ahmad Syafi'i and Diyan Putri Ayu. "Development of Productive Waqf in Candimulyo Village from an Islamic Law Perspective." **Rechtsvinding**, Vol.2, No.1 (2024).
- Roubini, Nouriel. "Why Central Banks Will Take Over Digital Payments." **Project Syndicate**, November 2018. <https://www.project-syndicate.org/commentary/central-banks-take-over-digital-payments-no-cryptocurrencies-by-nouriel-roubini-2018-11> (accessed May 8, 2025).
- Rusydiana, Aam Slamet, Yayat Hidayat, Tika Widiastuti and Solihah Sari Rahayu. "Cash Waqf for Developing Islamic Economy: Case Study in Indonesia." **Journal of Islamic Accounting and Business Research**, Vol.5, No.1 (2020): 43–59.
- Safi, Louay. "Islamic Law and the Spheres of Freedom." In **Islam and the Trajectory of Civilization**, edited by Louay Safi, New York: Routledge, 2020.
- . **Islamic Law and the Spheres of Freedom**, 2020.
- Sahroni, Abdullah. "Zakat Community Development as the Key of Pressing Poverty in Indonesia." **Islamiconomic: Jurnal Ekonomi Islam**, Vol.12, No.1 (2021): 53–72.
- Samuelson, Paul A. **Economics: An Introductory Analysis**. New York: McGraw-Hill, 1948.

- Schmidt, Nicholas and Bryce Stephens. **An Introduction to Artificial Intelligence and Solutions to the Problems of Algorithmic Discrimination**, 2019. <https://ssrn.com/abstract=3455423> (accessed May 8, 2025).
- Sedekah Online. **Sedekah Online Website**. <https://sedekahonline.com/> (accessed May 8, 2025).
- Setia, Adi. "Fard al-Kifaya, Mu'amala, and the Commonwealth." **Islamic Sciences**, Vol.11, No.1 (2013): 1–24.
- . "Freeing Maqasid and Maslaha from Surreptitious Utilitarianism." **Islamic Sciences**, Vol.14, No.1 (2016): 57–76.
- . "Imam Muhammad Ibn al-Hasan al-Shaybani on Earning a Livelihood." **Islam & Science**, Vol.10 (2012): 41–60.
- . "Jafar ibn Ali al-Dimashqi on Community, Money, and Prudent Management in Trading and Spending." **Islam & Science**, Vol.9 (2011): 23–46.
- . "Mu'amala and the Revival of the Islamic Gift Economy." **Journal of Islamic Sciences**, Vol.18 (2010).
- . "Mu'amalah and the Revival of the Islamic Gift Economy." **Islam and Science**, Vol.9, No.1 (2011): 57–72.
- . "Reintegrating the Legal into the Social: Reviving Islamic Transactional Law in the Context of the Civil Economy, with Special Reference to Waqf." **The Law and Development Review**, Vol.11, No.1 (2018): 1–36.
- . "Reviving an Economics for the Common Good." **Islam & Science**, Vol.9 (2011): 61–85.
- . "The Islamic Gift Economy: A Brief Conceptual Outline." **WAQF Academy Journal**, (2010). <https://www.waqfacademy.org/wp-content/uploads/2013/03/Dr.-Adi-Setia-AS.-Date.-IGE.-A-brief-conceptual-outline.-Malaysia.-INSPEM.pdf> (accessed May 8, 2025).
- . "Trade, Commerce, Money and Market in the Islamic Experience." **Journal of Islamic Sciences**, Vol.12, No.1 (2014): 1–22.
- . "Waqf and the Civic Economy." **Islamic Sciences**, Vol.12, No.1 (2014): 89–103.
- . "Waqf, Civil Society and Civic Economy." **AWQAF: Journal of Waqf and Charitable Institutions**, Vol.12 (2010): 29–48.
- Shevchuk, Andrey. **Models of Market Economy: Social Values, Ideologies, Institutions**. PhD thesis, National Research University Higher School of Economics, Moscow, 2008.
- Shiller, Robert. **Irrational Exuberance**. Princeton: Princeton University Press, 2016.
- Shuman, Michael H. **Going Local: Creating Self-Reliant Communities in a Global Age**. New York: Routledge, 2000.
- Sipko, Juraj. "Impact of Financial Derivatives on the Real Economy." **International Journal of Management Excellence**, Vol.1, No.1 (2014).
- Srinovita, Yulya, Purwa Udiutomo, and Pedri Haryadi. "The Effectiveness of Zakat Funding through Dompot Dhuafa Beastudi Etos Scholarship Program." *Journal of Islamic Monetary Economics and Finance*, Vol.1, No.2 (2016), p.189–228.
- Statista. **Consumer Electronics – Worldwide | Statista Market Forecast**. <https://www.statista.com/outlook/cmo/electronics/worldwide> (April 22, 2025).
- Stiglitz, Joseph E. **Globalization and Its Discontents**. New York: W. W. Norton & Company, 2002.
- Sunendar, Suryo Anugrah and Chika Aditya. "Digital Sharia Insurance Innovation: A Case Study of Kitabisa Insurance Platform in Increasing Financial Inclusion in Indonesia." **Jurnal ASIK**, Vol.3, No.1 (2025): 101–112.

- Suseno, Priyonggo. "Baitul Maal Wat Tamwil (BMT): A Faith and Community Based Microfinance." **Islamic Business Case Study**. Jakarta: National Committee for Islamic Economy and Finance, 2020. (accessed May 8, 2025).
- Sushentsova, Maria S. "Utilitarianism of J. Bentham and J. S. Mill: From Virtue to Rationality." **Vestnik of Saint Petersburg University Economics**, Vol.33, No.4 (2017): 570–585.
- Taleb, Nassim Nicholas. **The Black Swan: The Impact of the Highly Improbable**. New York: Random House, 2007.
- Tech in Asia. "Indonesia's Kitabisa to Receive \$5 Million from IFC." <https://www.techinasia.com/indonesias-kitabisa-receive-5m-international-finance-corporation> (May 8, 2025).
- . "Xiang Hu Bao-like Platform in Indonesia Closes Down." <https://www.techinasia.com/saling-jaga-mutual-aid-closed-down-ojk> (May 8, 2025).
- Tewari, Mallika, Alok Upadhyay and Ashish Pant. "The Impact of Media on Consumer Behavior: An Examination of the Role of Cinema, Newspaper, Theater, Internet, and Television." In **Paradigm Shift in Business**, 195–217. Cham: Springer, 2023.
- Thaler, Richard H. **Misbehaving: The Making of Behavioral Economics**. New York: W. W. Norton & Company, 2015.
- The Environmental Literacy Council. "How Does Monoculture Affect Soil?" <https://enviroliteracy.org/soil/monoculture-and-soil/> (April 23, 2025).
- The Malaysian Reserve. "Lembaga Zakat Selangor Records Highest Zakat Collection at RM993 m in 2021." **The Malaysian Reserve**, April 1, 2022. <https://themalaysianreserve.com/2022/04/01/lembaga-zakat-selangor-records-highest-zakat-collection-at-rm993m-in-2021/> (May 8, 2025).
- The Sun. "Johor boosts housing aid for asnaf with higher allocations." <https://thesun.my/malaysia-news/mainj-improves-housing-assistance-for-asnaf-exco-NF14112924> (May 8, 2025).
- Theartsjournal.org. **The Arts Journal**. <https://theartsjournal.org/index.php/site/article/download/35/35> (May 8, 2025).
- Thompson, Erica. **Escape from Model Land: How Mathematical Models Can Lead Us Astray and What We Can Do About It**. New York: Basic Books, 2022.
- U.S. Environmental Protection Agency. "Colony Collapse Disorder." October 2024. <https://www.epa.gov/pollinator-protection/colony-collapse-disorder> (May 8, 2025).
- U.S. Securities and Exchange Commission (SEC). **Findings Regarding the Market Events of May 6, 2010 (Flash Crash)**. 2010. <https://www.sec.gov/news/studies/2010/marketevents-report.pdf> (May 8, 2025).
- United Nations Conference on Trade and Development (UNCTAD). **Debt Vulnerabilities in Developing Countries: A New Debt Trap?** 2017. https://unctad.org/system/files/official-document/gdsmdp2017d4v2_en.pdf (May 8, 2025).
- United States Department of Agriculture (USDA). **2022 Census of Agriculture Reports Continued Size and Aging Trends**. 2023. <https://www.nass.usda.gov/AgCensus/> (May 8, 2025).
- Universitas Islam Indonesia. "Wakaf Berperan Penting di Berbagai Bidang." <https://www.uui.ac.id/wakaf-berperan-penting-di-berbagai-bidang/> (May 8, 2025).
- . **Yayasan Badan Wakaf Universitas Islam Indonesia**, 2025. <https://ybw.or.id> (April 26, 2025).
- University of Geneva (UNIGE). "The Impact of Globalization on the Economic Development of Countries." 2024. <https://unige.ch/globalization-impact-development> (May 8, 2025).

- Usmani, Muhammad Taqi. **An Introduction to Islamic Finance**. Karachi: Idara Isha'at-e-Diniyat, 1999.
- VietnamPlus. "Islamic Economy Makes up 48% of Indonesia's GDP." November 1, 2024. <https://en.vietnamplus.vn/islamic-economy-makes-up-48-of-indonesias-gdp-post301325.vnp> (May 8, 2025).
- . "Malaysia's Halal Industry to Make up 10.8% of GDP by 2030." November 20, 2024. <https://en.vietnamplus.vn/malaysias-halal-industry-to-make-up-108-of-gdp-by-2030-post304267.vnp> (May 8, 2025).
- Wahdah Inspirasi Zakat (WIZ). "Sedekah Jumat Berkah." <https://wiz.or.id/sedekah-jumat-berkah/> (May 6, 2025).
- Wahyudi, Heru, Chara Pratami Tidespania Tubarat, Nunung Rodliyah, Andi Kusnadi and Sandra Mei Leny. "The Nexus of Crowdfunding and e Wakaf to Islamic Fintech in Indonesia in the Era of Industrial Revolution 5.0." **Journal of Ecohumanism**, Vol.4, No.1 (2024): 208–219.
- Wakaf Penang. "Pembangunan hartanah wakaf bantu B50 miliki rumah, elak tanah terbiar – Wakaf MAINPP." <https://wakafpenang.com.my/pembangunan-hartanah-wakaf-bantu-b50-miliki-rumah-elak-tanah-terbiar/> (May 8, 2025).
- Wani, Nasir Hassan. "The City-State of Madina: Administrative and Constitutional Policies of Prophet Muhammad [PBUH]." **AL-ARFA: Journal of Sharia, Islamic Economics and Law**, Vol.1, No.2 (2023): 45–65.
- Waqaf An-Nur Corporation Berhad. **Waqaf An-Nur**. <https://waqafannur.com.my/en/Pembangunan-Ummah> (Accessed Date).
- Werner, Richard A. "Can Banks Individually Create Money Out of Nothing? — The Theories and the Empirical Evidence." *International Review of Financial Analysis*, Vol.36 (2014), p.1–19.
- . **Negative Interest Rates and the War on Cash**, 2015. <https://professorwerner.org/negative-interest-rates-and-the-war-on-cash/> (accessed May 8, 2025).
- Wight, Jonathan B. "The Treatment of Smith's Invisible Hand." *Journal of Business Ethics*, Vol.73, No.4 (2007), p.341–352.
- Wilks, Sam. "The Limitations of Mathematical Modeling in Economics and the Advantages of Praxeological Analysis." **Sam Wilks Blog**. <https://samwilks.com/limitations-of-mathematical-modeling> (accessed May 8, 2025).
- Wolf, Martin. **The Shifts and the Shocks: What We've Learned – and Have Still to Learn – from the Financial Crisis**. London: Penguin Books, 2014.
- World Bank. **Informal Employment in Malaysia: Trends, Challenges, and Opportunities**, 2023. <http://documents.worldbank.org/curated/en/099022124104015011> (May 8, 2025).
- . **International Debt Report 2023**, 2023. <http://hdl.handle.net/10986/40670> (May 8, 2025).
- . **The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19**. Washington: World Bank Publications, 2022.
- . **The Interplay of Regional and Ethnic Inequalities in Malaysian Poverty Dynamics**, 2023. <https://hdl.handle.net/10986/36820> (May 8, 2025).
- . **World Development Report 2022: Finance for an Equitable Recovery**. Washington: World Bank, 2022.
- Yayasan Food Bank Malaysia. **About Us**. <https://yfbm.org/about-us/> (May 8, 2025).
- . **YFBM The Annual Report 2022**, 2023. <https://yfbm.org/wp-content/uploads/2023/07/YFBM-The-Annual-Report-2022.pdf> (May 8, 2025).

- Yayasan Waqaf Malaysia. **Portal Rasmi Yayasan Waqaf Malaysia**. <https://ywm.gov.my/index.php/aktiviti/407> (May 8, 2025).
- Zakat Foundation of Malaysia. **Annual Report 2022: Zakat Collection and Distribution, 2023**. https://zakatfoundation.in/contents/en-us/p3051_Zakat-Foundation-Malaysia-annual-report-2022.html (May 8, 2025).
- Zuboff, Shoshana. **The Age of Surveillance Capitalism: The Fight for a Human Future at the New Frontier of Power**. New York: PublicAffairs, 2019.

