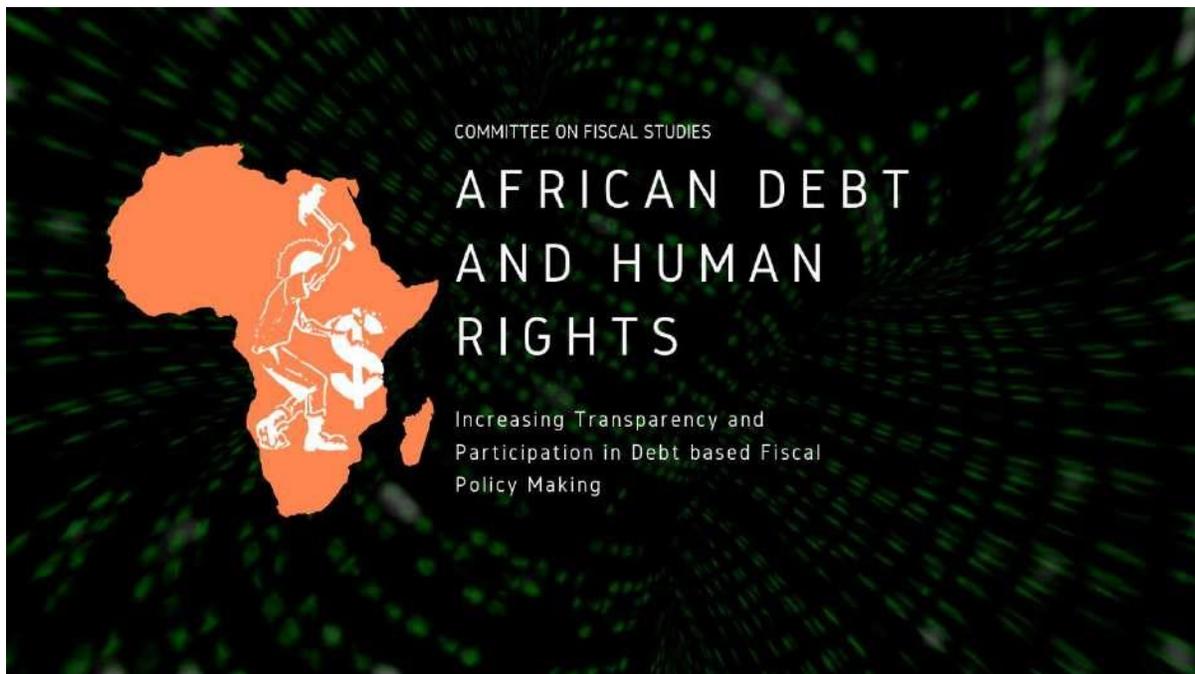


Achieving Social and Economic Sustainability using Islamic Social Finance: A Kenyan Case Study



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Summary

Poverty continues to remain a social and economic challenge in Kenya. This paper examines whether Kenya can progress towards social and economic sustainability by recourse to Islamic social finance instruments, such as zakah (Islamic wealth tax) and waqf (charitable endowment), to alleviate poverty. The objective is to seek alternative sources of revenue for the government, which can be mobilized locally without relying on foreign debt to channel these resources towards supporting access to finance for people living in poverty. Structured questions were disseminated through an online survey to gather data on the practicability of proposing Islamic social finance to achieve social and economic sustainability in Kenya. Key among the findings is the estimation of zakat paid by Muslims in Kenya, which is approximately USD234.1 million dollars (0.2% of the GDP). A substantial amount can be utilized towards mitigating government budget deficits. However, before Islamic social finance can be properly leveraged as an alternative source of revenue for the government, there is a need first to raise awareness among Muslims and policymakers about the enormous potential of these instruments for social development within Kenya.

Keywords: *Debt, development, Islamic social finance, poverty, waqf, zakah*

1. INTRODUCTION

Poverty can be alleviated by establishing strong institutions and the equitable allocation of resources that can empower people living in poverty socially and economically. In most African countries, taxing income does not generate sufficient revenue since the tax base is low. Poor governance of the fiscal space that results in revenue leakages also poses a problem for the government in increasing its spending on development.¹ The number of unbanked people in Africa also remains high. Adults' inability to open bank accounts can be attributed to various factors, including lack of funds, proper documentation, and distance from the nearest financial institution. Participating in the financial system entails access to deposit banking, payment convenience, credit and savings, and investment opportunities. Access to financial services is a critical indicator of global prosperity and quality of life and is needed to reduce poverty levels. Financial inclusion is one of the most effective ways to boost economic growth and reduce poverty and income inequality.

Greater financial inclusion can be achieved when every economic activity, geographical region, and the segment has easy access to financial assistance, financial information, and financing at the lowest possible cost.² The primary goal of financial inclusion is to promote balanced growth by mobilizing savings and investment, which results in an efficient resource allocation from the deficit sector to the society's surplus unit. Islamic social finance instruments

¹ Addae-Korankye, Alex. "Causes of Poverty in Africa: A Review of Literature." *American International Journal of Social Science* 3, No. 7 (December 2014): 147–53.

² Kama, Ukpai, and Mustapha Adigun. "Financial Inclusion in Nigeria: The Journey so Far." *SSRN Electronic Journal*, 2013. <https://doi.org/10.2139/ssrn.2365209>.

like zakah³ and waqf⁴ can play a crucial role in empowering impoverished people who do not have access to financial services. Cash and in-kind contributions received by the recipients make them self-sustainable. For example, in 2021, Muslims in the United States of America contributed an estimated USD1.8 billion in zakah.⁵ Zakat significantly contributes to reducing the annual funding gap for developing nations, estimated at USD2.5 trillion necessary to achieve the Sustainable Development Goals.⁶

This paper analyses how Kenya can achieve social and economic sustainability using Islamic social finance instruments. The paper uses primary and secondary data to analyze the research topic extensively. Questions were disseminated in an online survey to fill the research gap related to zakah and waqf development and their roles in social development, as well as source local perspectives on the use of zakah and waqf to support poverty alleviation programs and support economic sustainability in Kenya. This paper supports Kenyan scholarship on zakah and waqf as ideal for mobilizing community resources to provide income to grassroots institutions and facilitate financial inclusion of impoverished communities.⁷ Financial inclusion is establishing, promoting, and regulating an economic environment to make it secure, usable, and inexpensive for the entire society.⁸ By enabling access to financial services like deposits, loans, and savings for those in need and simplifying investments and financial control in some ways, financial inclusion may contribute to eradicating extreme poverty. New investments may lead to the creation of new small enterprises, as well as investments in services like insurance, education, and health care.⁹

The rest of the paper is structured as follows, introducing the problem of poverty and resorting to zakah and waqf to achieve social and economic sustainability. Section 2 begins by examining the social problems and the need for new approaches to mobilizing funds. In section 3,

³ Zakah is the third pillar of Islam. It requires Muslims to give 2.5% of their qualifying wealth each year to help Muslims who need it across a range of categories. Zakat is both a spiritual duty and a vital part of the Islamic social welfare system. (<https://nzf.org.uk/about-zakat/what-is-zakat/>).

⁴ In shari'ah, a waqf is a voluntary, permanent, irrevocable dedication of a portion of one's wealth – in cash or kind – to Allah. Once a waqf, it never gets gifted, inherited, or sold. It belongs to Allah and the corpus of the waqf always remains intact. The fruits of the waqf may be utilised for any shari'ah compliant purpose. (<https://awqafsa.org.za/what-is-waqf/>)

⁵ Siddiqui, S., Wasif, R., Hughes, M. A., Paarlberg, A., & Noor, Z. (n.d.). *Muslim American Zakat Report 2022*. Retrieved May 2022, from <https://scholarworks.iupui.edu/bitstream/handle/1805/28468/Muslim-American-Zakat-Report20220412.pdf?sequence=7>.

⁶ "Covid-19 Crisis Threatens Sustainable Development Goals Financing." OECD, 2022.

⁷ Latif, L, "Improving Livelihood at Household Level with Zakat Based Conscious Financing" (2022) AZKA International Journal of Zakat & Social Finance, Vol 3, Issue 1, 01-19; Latif, L, Framing the Argument to Broaden Kenya's Limited Fiscal Space for Health Financing by Introducing Zakat" (2020) Biomed J Sci&Tech Res, Vol 5, Issue 5.

⁸ Carballo, Ignacio Esteban. "Financial Inclusion in Latin America." *Global Encyclopedia of Public Administration, Public Policy, and Governance*, 2017, 1–13. https://doi.org/10.1007/978-3-319-31816-5_3333-1.

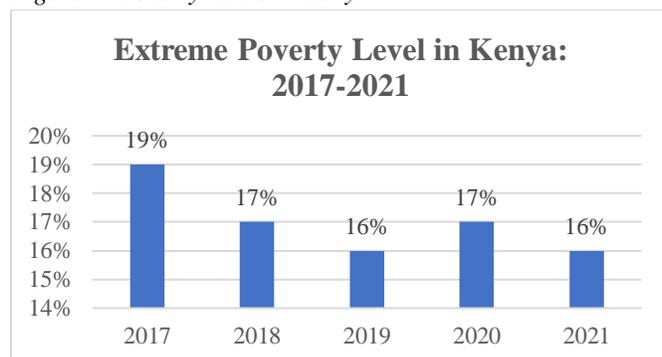
⁹ Demirguc-Kunt, Asli, Leora Klapper, and Dorothe Singer. "Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence," 2017. <https://doi.org/10.1596/1813-9450-8040>.

the research analyses Islam's perspective on zakah and waqf and the rationale for considering Islamic social finance. The section also looks at zakah and waqf institutions in Malaysia and Tanzania. Malaysia has made significant progress in raising awareness of zakat and waqf's meaning, application, and results. Innovative ways have been incorporated by the Islamic Council of Malaysia's Baitul Mal division, which oversees zakat distribution, to accommodate current needs. Tanzania's underdeveloped and underutilized Islamic social finance institutions are plagued with misappropriation and mismanagement. Analyzing the state of events in Malaysia and Tanzania will help us develop and share knowledge and experience on efficient systems of Islamic social finance and management aimed at social development for the establishment of distributional justice in our communities within the fundamentals of Islam. Section 4 analyses the operational challenges in proposing Islamic social finance for social and economic sustainability. Lastly, recommendations are made.

2. SOCIAL PROBLEMS AND THE NEED FOR NEW APPROACHES TO MOBILISING FUNDS

National poverty levels can be calculated by looking at how many people live below the International Poverty Line.¹⁰ However, a single point of comparison must be employed to gauge global poverty. According to 1993 Purchasing Power Parity (PPP) figures¹¹, USD1 and USD2 are reference poverty limits for absolute global poverty. Figures for national poverty rates in Kenya are shown in figure 1.

Figure 1: Poverty levels in Kenya



Source: Statista Extreme Poverty Rate Database (2017-2021)

In 2021, some 16 percent of Kenya's population lived below USD1.90 daily. Extreme poverty has many significant negative effects on society, such as increased crime rate, poor health,

¹⁰ World Bank Group. "Fact Sheet: An Adjustment to Global Poverty Lines." World Bank. World Bank Group, June 27, 2022. <https://www.worldbank.org/en/news/factsheet/2022/05/02/fact-sheet-an-adjustment-to-global-poverty-lines#9>.

¹¹ Purchasing Power Parity (PPP) is the rate at which the currency of one country would have to be converted into that of another country to buy the same amount of goods and services in each country.

lack of education, and access to adequate food. Reconsidering approaches like zakat and waqf as part of fiscal policy can help improve human capital and build specific programs for the impoverished and vulnerable members of society. Waqf's potentials are broader and not limited to certain recipients, unlike zakah, which has defined recipients. Waqf can be utilized to provide public commodities such as water, educational institutions, health care, and other social amenities to the people in need of necessities.

As a result of socio-economic difficulties experienced due to poverty, the Kenyan Government has been forced into debt. External debt has impeded economic growth in developing countries and has become a barrier to poverty reduction.¹² In June 2020, Kenya's external debt was roughly USD35.3 billion.¹³ The country's last published total debt as of December 31, 2021, stood at USD70.97 billion.¹⁴ Kenya's debt is not exceptionally large compared to the debt of major debtor countries such as the United States, the UK, or France. At the end of 2020, the gross public debt was 44.4% of GDP; by 2021, it was expected to be 79.0%. The large deficit and the COVID-19 pandemic have contributed to Kenya's rising debt levels and escalating poverty. Even with new taxes and a broader revenue base, such as a tax on electricity, fuel, and digital services, the country's long-term fiscal deficit reduction aim remains unattainable. Spending has soared yearly by USD250 billion, while revenue has only grown by USD111 billion.¹⁵

The government's rising deficit necessitates borrowing more money from domestic and external debt markets. Economic growth and poverty reduction are hampered by the country's massive internal and external debts and debt servicing responsibilities. During the COVID-19 pandemic, the IMF declared Kenya at high risk of external debt distress.¹⁶ The crisis has exposed Kenya's precarious debt situation, just like many other African countries.¹⁷ Over the past ten years, Kenya embarked on an expansionary fiscal strategy fueled by massive infrastructure development expenditures. After independence, the most expensive infrastructural project was the standard gauge railway, which cost the taxpayers USD3.5 billion in the first phase. Concerns about the cost, profitability, and practicality of Kenya's New Lunatic Express (SGR) project have been

¹² Arnone, Marco, Luca Bandiera, and Andrea F. Presbitero. "External Debt Sustainability: Theory and Empirical Evidence." Core, 2005. <https://core.ac.uk/download/pdf/9311316.pdf>.

¹³ This figure has been compiled on statista: <https://www.statista.com/statistics/1223191/cumulative-external-debt-of-kenya/#statisticContainer>.

¹⁴ Data obtained from Central Bank of Kenya's website: <https://www.centralbank.go.ke/public-debt/>.

¹⁵ Kemboi, Leo Kipkogei, and Victoria Kwamboka. "Kenya's Public Debt Distress: Issues and Scenarios." Institute of Economic Affairs, November 25, 2021. <https://ieakenya.or.ke/blog/kenyas-public-debt-distress-issues-and-scenarios/>.

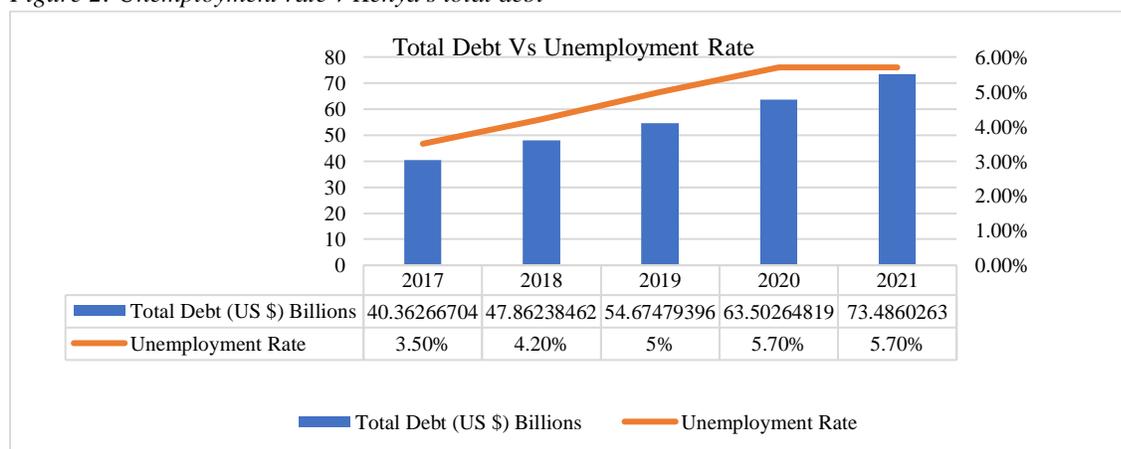
¹⁶ "IMF Executive Board Approves US\$2.34 Billion ECF and EFF Arrangements for Kenya." IMF, April 2, 2021. <https://www.imf.org/en/News/Articles/2021/04/02/pr2198-kenya-imf-executive-board-approves-us-billion-ecf-and-eff-arrangements>.

¹⁷ Tamale, Nona, and James Thuo Gathii. "Snapshot of Kenya's External Debt over the Last Decade." Afronomicslaw.org, February 15, 2021. <https://www.afronomicslaw.org/category/african-sovereign-debt-justice-network-afsdjn/snapshot-kenyas-external-debt-over-last>.

expressed.¹⁸ The immediate implication of their findings for government debt is that heavily indebted governments should strive to stabilize and reduce their debt to levels low enough not to inhibit economic growth. Prudence mandates that governments strive to maintain their debt substantially below the projected thresholds so that even extraordinary circumstances are unlikely to cause their debt to reach levels dangerous to economic growth.

The poverty-debt cycle has been further exacerbated by unemployment. Research on poverty levels and debt indicators among low-income households before and after the recession found that the lowest income households were more likely to have higher debt and debt delinquency problems.¹⁹ Unemployment refers to the proportion of the unemployed labor force actively seeking a job.²⁰ Kenya's low unemployment rates disguise the substantial poverty levels in the country. Increased debt appetite by the Kenyan Government leads to a cycle of increasing debts to repaying previous debts, restructuring current debts, and directing funds meant for development to servicing its debts and current expenditure, while some end up in individuals' pockets to runaway corruption by civil servants. Figure 2 shows the unemployment rate and the country's total debt.

Figure 2: Unemployment rate v Kenya's total debt



Source: International Monetary Fund, World Economic Outlook Database, April 2021²¹

¹⁸ Taylor, Ian. "Kenya's New Lunatic Express: The Standard Gauge Railway." SUNScholar. African Studies Quarterly, October 1, 2020. <https://scholar.sun.ac.za/handle/10019.1/124383?show=full>.

¹⁹ Kim, Kyoung Tae, Melissa J. Wilmarth, and Robin Henager. "Poverty Levels and Debt Indicators among Low-Income Households before and after the Great Recession." Journal of Financial Counseling and Planning 28, no. 2 (2017): 196–212. <https://doi.org/10.1891/1052-3073.28.2.196>.

²⁰ "Unemployment, Total (% of Total Labor Force) (Modeled ILO Estimate) - Kenya." Data. Accessed April 2022. <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?contextual=region&end=2021&locations=KE&start=2015&view=chart>.

²¹ This figure has been retrieved from International Monetary Fund: https://www.imf.org/en/Publications/WEO/weo-database/2021/April/weo-report?c=614,638,616,748,618,624,622,626,628,632,636,634,662,642,643,734,644,646,648,652,656,654,664,666,668,674,676,678,684,688,728,692,694,714,716,722,718,724,199,733,738,742,746,754,698.&s=NGDPD,NID_NGDP_LUR,GGR,GGX,GGXWDN,&sy=2016&ey=2026&ssm=1&scsm=1&sc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1.

The increase in debt has been caused by international sovereign bonds, bilateral credit, and commercial syndicated loans. Also, the lack of financial access by people living in poverty has contributed to the government's revenue limitations because the poor cannot participate in the economy and influence its growth. Further, a huge chunk of the loans taken by the government ends up servicing previous debts and interests accrued, settlement of the government's recurrent expenditures, and some end up in individuals' pockets (as proceeds of corruption).²² When borrowing persists, a huge percentage of domestic revenue is usually used to service debt, decreasing the funds needed to finance recurrent and development expenditures.²³ This effect is that the country's future repayment capacity will be less than its debt stock. This deprives the government of its disposable income, resulting in a decline in living conditions due to layoffs and a corresponding decline in human development.

Layoffs have had a variety of consequences in Kenya. Some of these consequences include reduced food supply due to the lack of available jobs in the market, limited access to healthcare because primary care centers are short on medication, and lack access to some of the essential medical equipment, such as x-ray radiation therapy machines, ventilators, and other life-saving devices. Given that the government's efforts to pull its citizens out of poverty by empowering them and investing in economically sustainable projects are strained, it is imperative to look for an alternative solution to address this crucial social and economic issue. The answer lies in Islamic social finance. As a religion of balance, Islam prioritizes both the spiritual and material aspects of life.²⁴ Thus, the term "poverty" in Islam refers to both the lack of material wealth and the lack of spiritual wealth. People can improve their spiritual lives by improving their material lives, which is possible under Islamic principles. The Islamic perspective on poverty and its alleviation is briefly explored in this section. The paper examines how Islamic economics has evolved in classical and modern works to show how the Qur'an²⁵ and Sunnah²⁶ approach poverty. As can be determined from the following verse in the Qur'an, there is enough sustenance for all people in this world:

²³ Osoro, Denis Ondieki. "The Threshold Effects in the Relationship Between External Debt and Human Development: The Case of Kenya." University of Nairobi Research Archive, 2020. http://erepository.uonbi.ac.ke:8080/bitstream/handle/11295/154657/Osoro_The%20Threshold%20Effects%20in%20the%20Relationship%20Between%20External%20Debt%20and%20Human%20Development-%20the%20Case%20of%20Kenya.pdf?sequence=1

²⁴ Chapra, M. Umer. *The Islamic Welfare State and Its Role in the Economy*. Leicester England: Islamic Foundation, 1979.

²⁵ Qur'an is the Holy Scripture of the Muslims. It lays down for them the law and commandments, codes for their social and moral behaviour, and contains a comprehensive religious philosophy.

²⁶ Sunnah means the way of the Prophet Muhammad (peace and blessings be upon him). It includes everything he said, did, and approved of. We know the Sunnah from the statements called Hadiths that have been handed down from the Companions of the Prophet.

And surely, We gave you authority on the earth and appointed you therein provisions (for your life). Little thanks do you give. (Qur'an 7:10)²⁷

Muslims are, however, urged to work hard for their living and meet their needs. Allah commands them in the Qur'an:

And when the prayer is finished, then disperse in the land and seek Allah's bounty. (Qur'an 62:10)²⁸

According to Islamic scholars, humans are being trialed here on earth.²⁹ Hereafter, their deeds will be judged and rewarded according to what they did.³⁰ Part of this test seeks to discover how people behave when wealthy and poor. People of all socio-economic backgrounds are expected to follow certain Islamic norms in this regard.³¹ Prophet Muhammad (peace be upon him) advised that:

On the one hand, excess of wealth may endanger the faith and morality of the Muslims, and on the other hand, poverty may drag them to disbelief.

He further asked Muslims to invoke, "*Allah, I seek Your refuge from apostasy and poverty.*"³² According to Islamic beliefs, extreme wealth inequality and abject poverty are highly discouraged. Although each person is required to put out their best effort to meet their wants, there may be scenarios and circumstances where individuals cannot earn enough money to satisfy their demands. On the other hand, Islam has developed social assistance channels for the underprivileged to address poverty and hardship. The Qur'an says:

And those in whose wealth there is a recognized right, for the beggar who asks, and for the unlucky who has lost his wealth. (Qur'an 70: 24-25).

In the same vein, Prophet Muhammad explained:

The one who looks after a widow or a poor person is like a Mujahid (warrior) who fights for Allah's Cause, or like him who performs prayers all the night and fasts all the day.³³

²⁷ The translation of the Qur'an is taken from Al-Hilali and Khan (1404H).

²⁸ The translation of the Qur'an is taken from Al-Hilali and Khan (1404H).

²⁹ Tirmidhi, 2396.

³⁰ Quran (3:30).

³¹ Derus, Alias Mat. 2013. "Islamic Economic Institutions and The Elimination of Poverty". *International Journal of Economics, Management and Accounting* 11 (1). <https://journals.iium.edu.my/enmjjournal/index.php/enmj/article/view/88>.

³² Sunan Abu Dawud, 5090.

³³ Sahih Bukhari, 6006.

The wealthy are expected to care for the less fortunate in many ways. Zakah and other charitable acts like waqf and sadaqah³⁴ are expressions of these responsibilities. The poor have a legal claim to a portion of the zakah collected from the wealthy. Islam orders philanthropy to ensure that all people's fundamental necessities are addressed.³⁵ The government's obligation toward the destitute and the needy was recognized by the previous Islamic rulers/empires. The successive Islamic governments formed after Prophet Muhammad's demise directed that meeting the basic needs of the society is a joint social responsibility. Islamic law also aspires to meet the demands of the general public. The protection of religion, life, offspring, property, and rationality are the five objectives that Islamic law seeks to secure. Food, health, and shelter are some of the most fundamental needs that one must meet to protect their religious beliefs and way of life. Thus, every Muslim eligible to pay zakah must support poverty reduction by providing people living in poverty with necessities that guarantee a livelihood.

An Islamic economic system must ensure that poverty is reduced, social and economic justice is maintained, and more equitable distribution of money. One of Islam's fundamental objectives is to promote justice. An Islamic economy should strive to eliminate all types of inequity, injustice, exploitation, tyranny, and wrongdoing, whether in an Islamic State or a non-Islamic State.³⁶ Islam has established many institutions and systems to distribute wealth and income so everyone can meet their necessities. Among these, zakah and waqf are studied in the context of reducing poverty and as alternative sources of revenue.

3. Islam's Perspectives on Zakah and Waqf

Islam has some mechanisms for combating poverty, supporting the unemployed, mitigating debt, and enhancing social well-being, two of which are zakah and waqf. In contrast to zakah, which aids in raising cash, waqf provides the physical infrastructure to generate income for various socially beneficial purposes.³⁷ While there is no quantitative evidence on how much zakah was collected and disbursed throughout the early Islamic period, two publications provide insight into its impact. Poverty was reduced during the caliphates of Umar ibn al Khattab and Umar bin Abdul Aziz since zakah funds could not be disbursed in some districts because no people lived in poverty. The next sections will briefly discuss zakah and waqf as social finance tools.

³⁴ Sadaqah describes a voluntary charitable act towards others, whether through generosity, love, compassion or faith. These acts are not necessarily physical or monetary. Simple good deeds such as a smile, or a helping hand, are seen as acts of sadaqah. (<https://islamic-relief.org/sadaqa/>)

³⁵ M. N. Siddiqi, "The guarantee of a minimum level of living in an Islamic state," in Iqbal, Munawar (ed.), *Distributive Justice and Need Fulfilment in an Islamic Economy*, Leicester: Islamic Foundation UK, 1988, 251

³⁶ *ibid.*

³⁷ Habib Ahmed, "Role of Zakah and Awqaf in Poverty Alleviation" 8, n.d., accessed April 2022, <https://www.sifif.tn/images/bibliotheque/Role%20of%20Zakah%20and%20Awqaf%20in%20Poverty%20Alleviation.pdf>.

3.1. Zakah

Zakah is one of Islam's five pillars. The other pillars of Islam are the declaration of faith (the shahadah), prayer (salah), fasting (saum), and pilgrimage to Mecca (the hajj). Zakah is an Arabic word for growth, expansion, cleanliness, and purity. Zakah is mentioned 30 times in the Qur'an and is referred to three times as being a command from Allah. In the Qur'an, zakah is often referred to as sadaqah. Many of Prophet Muhammad's sayings stress the significance of zakah as a religious duty for Muslims. If you do not pay your zakat, you are doing an act of rebellion against Islam, according to the words of Prophet Muhammad (peace be upon him).³⁸ Zakah is required from all Muslims who have reached adulthood, are sane, male and female, and own properties that have reached the nisab (threshold)³⁹ level. Zakah must be given to the impoverished, granting them ownership of the money they receive and allowing them to spend it as they see fit. The Qur'an and hadith⁴⁰ specify several of the items that are liable to zakah: such as gold and silver, herds of camels, sheep, cows, ready-to-sale commodities, and agricultural products, are all included.

Islamic jurists of all the four schools of Sunni Islamic thought to⁴¹ distinguish between apparent and non-apparent assets when determining whether a property is zakatable. The most evident assets are ones that can be quickly and easily identified. Produce from farms and cattle are just a couple of illustrations. The general public cannot see hidden assets. This category includes goods that can be exchanged for money. Regarding the nisab, reference is made to the minimal amount of assets an individual must have to be considered legible to pay zakat. If an asset has reached the nisab, i.e., USD4,627.41 (gold rate) or USD457.20 (silver rate), it becomes subject to zakat.⁴² The zakah is determined by the asset's overall value, including the nisab. Zakah is owed on some items when the lunar year has passed, while others are exempt. There are three zakah rates, each corresponding to a different asset class. Cash, gold, silver, debts (receivables), and items for trade are all subject to the 2.5 percent zakah levy. When water from wells is used to irrigate crops, the zakah rate drops from 10% to 5%. This is because rain-fed or river-fed agriculture is exempt from paying the zakah.

Recipients of zakah (see table 1 below) are mentioned in the Qur'an (Chapter 9: verse 60):

Sadaqat (here it means zakah) are only for the fuqara (poor), and miskin (the needy), and those employed to collect (the funds), and to attract the hearts of those who have been

³⁸ In this regard, Ibn Majah (undated) reports from Abu Hurairah that the Messenger of God (peace be upon him) said: "I am ordained (by God) to fight (rebellious) people until they recognize that there is no deity except Allah and that I am the Messenger of Allah, and establish prayers and give zakat."

³⁹ Zakat is a compulsory act of worship that requires Muslims, at or above a certain wealth threshold, to donate a portion of that wealth, typically 2.5%, to those who are eligible. This threshold is called the nisab.

⁴⁰ Hadith or ahadith (plural) are sayings and traditions of the Prophet of Islam, Muhammad, Peace be upon him.

⁴¹ The four schools of sunni Islamic thought are: Hanafi, Maliki, Shafi'i and Hanbali. There are two major sects in Islam: sunni and shia, of which the sunnis are dominant.

⁴² The gold and silver rate for nisab has been taken from: <https://nzf.org.uk/nisab/>

inclined (to Islam), and to free the captives, and for those in debt, and for Allah's cause, and for the wayfarer.

Table 1: The recipients of zakah⁴³

Categories	Description
Faqir (poor)	<ul style="list-style-type: none"> • One who does not own enough food for one year; • Head of a family who does not have a source of income; • A student who fails to meet his school fee-related needs.
Miskeen (needy)	<ul style="list-style-type: none"> • One who does not own food for one day; • One who cannot earn due to a permanent disability; • A patient who cannot meet the cost of their medical treatment; • A victim of calamities
Aamilin alaiha (zakah employee)	Zakat administrators.
Mualafatul quloob (whose hearts are inclined)	One who has recently accepted Islam or is inclined towards the Islamic faith and expected to accept the faith
Fi-riqab (in bondage)	One who is a war prisoner (zakah to be spent for release)
Gharimin (insolvent and indebted)	One who is indebted to others on lawful debts that they are unable to settle on the specified period; this does not include legal person or body corporate
Fi-sabeel Allah (for the cause of Allah)	One who defends religion and the state; this includes dissemination of Islamic knowledge and Daawah (propagation).
Ibn-sabil (wayfarer)	A traveler unable to meet the cost of travel to their destination

Zakah is not meant for the wealthy, even though there is no formal definition of poverty under Islamic law. Zakah is not permissible for a wealthy individual. Prophetic sayings encourage the payment of zakah to close relatives, orphans under one's custody, and other individuals in need of financial assistance.⁴⁴ When the Prophet (peace be upon him) sent zakah workers, it was his custom to instruct them that whatever they collected as zakah should be distributed first to the poor relatives of the person giving zakah. Localizing the distribution of the collected zakah supports wealth generation at the community level, which is good for achieving social and economic sustainability over time.

According to Islamic law, the government is ultimately responsible for administering zakah in Muslim countries. Zakat collectors/distributors were assigned by the Prophet (peace be upon him) to administer zakah during his time. The vast majority of Islamic jurists believe that the

⁴³ Data sourced from National Zakat Foundation: <https://nzf.org.uk/knowledge/who-receives-zakat/>

⁴⁴ Quran (51:19; 70:24-25 and 76:8).

government should be in charge of collecting and distributing zakah payable on real estate. On non-apparent properties, Al Qaradawi says that an Islamic state is responsible for verifying whether or not individuals are paying their zakah.⁴⁵ A secular government can provide a platform enabling zakah collection nationwide through its huge network of administration offices. Zakah collected will empower the locals socially and economically, reducing the burden of over-relying on government aid or financial assistance. The next section looks at waqf, which, unlike zakah, is a voluntary form of charity.

3.2.Waqf

Waqf refers to a restriction on the ownership of an asset and the distribution of its usufruct to achieve set objectives such as poverty reduction, propagation of Islam, and paying salaries of madrasa teachers. On the other hand, the title to a waqf-deliverable asset is not transferable under any circumstances. Waqf assets can only be utilized for those purposes permitted under Islamic law, such as charitable donations. Waqf is a non-denominational action that must continue in perpetuity. Giving land and buildings for public use, such as to house orphanages and shops whose income supports charity, mosques, and graveyards, is a waqf. Waqf is a fundamental part of the Islamic belief system. The Qur'an mandates waqf in the following verse:

*You will never achieve righteousness until you donate some of what you cherish. And whatever you give is certainly well known to Allah.*⁴⁶

Muslim scholars are unanimous in their views on waqf, which refers to acquiring valuable assets and preserving their original form. Nonetheless, according to Hanafi jurists⁴⁷, the payment of waqf necessitates a certain sum of money. Property owned by a man who donates to waqf and gives away its benefit to the community remains in his ownership. However, the usufructs of the assets of an endowment or charity must be held and protected to be utilized solely for the declared purpose. According to Chowdhury, waqf is best applied to long-lasting assets, so its generated advantage is not depleted.⁴⁸ Waqf assets include land, buildings, books, cattle, cash, and other property types. Waqf's most valuable asset is land, which is highly productive. Income-generating waqf, like land, has become an increasingly important type of waqf in recent years because of its productivity. Islamic social finance instruments are used worldwide to reduce poverty, improve education, and ensure access to health care. Without an effective framework, Islamic social finance

⁴⁵ Al Qaradawi, Y., 1973. *Fiqh al Zakah*. 2nd ed. Beirut: Mu'assasat al Risalah Publishers.

⁴⁶ "Surah Ali 'Imran - 1-200." Quran.com. Saheeh International. Accessed April 2022. <https://previous.quran.com/3>.

⁴⁷ The Hanafi school is one of the four primary schools of Sunni Islamic legal reasoning and repositories of positive law. The other schools of thought are Hanbali, Maliki and Shafi'i.

⁴⁸ Hassan, Rusni, and Syed Ahmed Salman. 2020. "Islamic Accountability and Waqf Towards Achieving Equitable Distribution of Wealth Within the Islamic Economic Framework". *International Journal of Islamic Economics and Finance Research* 1 (1 July):1-11. <https://ijiefer.kuis.edu.my/ircief/article/view/1>.

institutions will be unable to properly and efficiently manage the flow of funds and achieve their objectives.

3.3.Rationale in Considering Islamic Social Finance

In 2017, an estimated USD410.02 billion was given to charity in the USA alone, equivalent to 2.1 percent of its GDP. This figure increased to USD471 billion in 2020.⁴⁹ Muslims in the United States of America contributed an estimated USD1.8 billion in zakah in 2021.⁵⁰ This has necessitated the need to research how much Kenyan Muslims contribute as zakah and determine whether the amount contributed is feasible to support economic and social projects locally. The overall increase in the size of charitable contributions is just another proof of charities' critical role in our society, a position that is only growing in importance. So, what motivates individuals to give to charity? Becker was the first to explore social interactions in neoclassical literature on the utility maximization stream in 1974.⁵¹ When some people make charitable contributions or donate to public causes, they are motivated by the desire to avoid the scorn of others or to receive social acclaim. These philanthropic activities are also motivated by self-interest, such as the desire to earn recognition, fulfill one's ego, or transform one's living environment to better someone's public life and relationships. Moral gratification gained from giving, peer pressure that prompts reluctant altruism, regaining one's public image and avoiding the shame of saying no, and the general status gained from helping are other motivations for giving charity described in the literature.

The empirical literature in neo-classical economics restricts socially empathic behavior from a materialist and self-interested perspective.⁵² Increasing a person's moral duty towards human welfare should not be underestimated, as philanthropic behavior can be taught like any other behavior. As a result, to encourage charitable giving, the appropriate style of training, as well as reinforcement and long-term incentives, are required. Economic development is insufficient to actualize all-encompassing human well-being as part of human well-being. In the context of a two-world perspective on life, Islamic law gives a more comprehensive outlook and an incentive structure for good conduct. When people are more willing to participate in social actions, they are more likely to give more to charity. They are more likely to display altruistic behavior in their social relationships and in the marketplace.⁵³

⁴⁹ This figure has been retrieved from Charity Navigator: "Giving Statistics." Charity Navigator, June 12, 2018.

⁵⁰ Siddiqui, S., Wasif, R., Hughes, M. A., Paarlberg, A., & Noor, Z. (n.d.). *Muslim American Zakat Report 2022*. Retrieved May 2022, from <https://scholarworks.iupui.edu/bitstream/handle/1805/28468/Muslim-American-Zakat-Report20220412.pdf?sequence=7>

⁵¹ Becker, Gary S. "A Theory of Social Interactions." *Journal of Political Economy* 82, no. 6 (1974): 1063–93.

⁵² Andreoni, James. "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving." *The Economic Journal* 100, no. 401 (1990): 464.

⁵³ *ibid.*

The Qur'ān guides as follows:

*Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it.*⁵⁴

In one of his narrations, Prophet Muhammad (peace be upon) said:

*When a man dies, his acts end, but three, recurring charity, or knowledge (by which people) benefit, or a pious son, who prays for him (for the deceased).*⁵⁵

As a result, under Islamic law, the motivations for giving charity are derived from a particular worldview and a comprehensive conception of social responsibility and ethical behavior. People's values and economic and non-economic choices are influenced by their faith-consciousness. In the early stages of Islam, the term "philanthropy" was foreign. However, several Arabic phrases have been employed as a substitute in recent years.⁵⁶ It is true that the phrase Islamic philanthropy, which in Islam encompasses charity or sadaqah, is a contemporary one even though Islam has an inherent philanthropic nature. The Qur'an contains multiple passages expressing the same sentiment. Additionally, the hadiths⁵⁷ aim to inspire and advise Muslims to give generously to those less fortunate in society. This is expressed in the Qur'an in the following verse:

*They ask you, [O Muḥammad], what they should spend. Say, whatever you spend of good is [to be] for parents and relatives and orphans and the needy and the traveler. And whatever you do of good - indeed, Allah is Knowing of it.*⁵⁸

An analogous narration from the hadith records a similar statement by the Prophet:

Every good deed is a form of sadaqah/charity, and good deeds are a barrier to bad things. Silaturrahim, i.e., preserving ties, can extend life. An individual whose world is marked by goodness has an advantage over others whose worlds are marked by evil and vice versa. The first person to arrive in paradise will be the person whose world is marked by goodness.

⁵⁴ The Qur'an 3:92 (Translated by Saheeh International).

⁵⁵ "Kitab Al-Wasiyya (the Book of Bequests)." Sahih Muslim, Book 13: Bequest (Wills) (Kitab Al-Wasiyya). Accessed April 2022. https://www.iiu.edu.my/deed/hadith/muslim/013_smt.html.

⁵⁶ Abubakar, M. (2019). Waqf Philanthropy and Orphans' Socio-Economic Development in Northern Nigeria Based on Maqasid al Shariah Principles. In *Revitalization of Waqf for Socio-Economic Development* (Vol. 1, pp. 31–42).

⁵⁷ Hadith or ahadith (plural) are sayings and traditions of the Prophet of Islam, Muhammad, Peace be upon him.

⁵⁸ "Surah Al-Baqarah - 1-286." Quran.com. Accessed April 2022. <https://previous.quran.com/2>.

Over the last ten years, extensive theoretical and practical research has shown that fair and responsible access to a wide range of financial services is good for economic growth and development. Zakah and waqf, if properly implemented, can improve the quality of life of the recipients of such funds. They have the potential to increase economic activity while also promoting social welfare, financial inclusion, and shared prosperity based on the idea of fairness and justice. Islam's distinctive conception of social duty and ethical conduct underpins the religion's socially sympathetic and caring teachings. These behavior patterns heavily influence faith-based Muslims' financial and non-financial decisions. Looking at the Islamic social finance practice of other countries like Malaysia and Tanzania is imperative. We will be best placed to develop ways of improving our local capacity in zakah and waqf collection to achieve the social and economic independence of the poor and needy.

3.3.1. Institutions of Zakah and Waqf in Malaysia

Malaysia has made significant progress in raising awareness of zakat and waqf's meaning, application, and results. Based on the central Quranic command to distribute zakat, the Islamic Council of Malaysia's Baitul Mal division, which oversees zakat distribution, has enlarged the "eight groups" (see Table 1) to serve the demands of the modern world, better assuring effective zakat administration. For instance, "those in bondage or to free slave" is one of the eight classes that the Quran suggests. Malaysia has added three items to this group to accommodate current needs: to free Muslims from ignorance, release a Muslim community from a severely oppressive situation and free individuals imprisoned in prostitution. This can serve as a reference for both our local organizations that collect zakat and those of other nations interested in creating a zakat distribution system that will meet the needs of the modern world while ensuring the effective use of zakat monies within the fundamentals of Islam.⁵⁹

In 2021, USD183.16 million was collected in zakat in Malaysia.⁶⁰ The State Islamic Religious Council (SIRC) is responsible for zakah management under offices such as the Baitul Maal, the zakat department, and the Zakat Committee. The waqf and sadaqah infrastructures also fall under the management of the State Islamic Religious Council.⁶¹ SIRC worked to maximize the mobilization of zakat, waqf, and sadaqa money to address social and humanitarian needs. In a similar vein, private institutions, such as Waqf An-Nur Corporation Berhad (WANCorp) and the Johor Islamic Council have also partnered to maximize the role of waqf in various key initiatives such as the management of mosques, providing healthcare, funding micro-enterprise start-ups.

⁵⁹ Hasan, Samiul. *Philanthropy and Social Justice in Islam: Principles, Prospects and Practices*. Kuala Lumpur: A.S. Noordeen, 2007.

⁶⁰ Azuar, Azalea. "Federal Territory's Zakat Collection Exceeds RM800m in 2021." The Malaysian Reserve. Accessed August 2022. .

⁶¹ Habib Ahmed, "Role of Zakah and Awqaf in Poverty Alleviation" 8, n.d., accessed April 2022, <https://www.sifif.tn/images/bibliotheque/Role%20of%20Zakah%20and%20Awqaf%20in%20Poverty%20Alleviation.pdf>.

3.3.2. Islamic Social Finance in Tanzania

While the role of Islamic social finance institutions in countries like Indonesia, Malaysia, and Saudi Arabia has improved significantly in the last three decades, there are still underdeveloped and underutilized Islamic social finance institutions in Tanzania. Most of these institutions are plagued with misappropriation and mismanagement; analyzing the state of events in Tanzania will help us develop and share knowledge and experience on an efficient system of Islamic social finance and management aimed at social development for the establishment of distributional justice in our communities. With a population of 60 million, 35 percent of Tanzanians are estimated to be Muslims. The country has a few organizations that collect and distribute zakah to the recipients. An organization of Yemenis living and working in Tanzania is the largest organization that deals with the collection and distribution of zakah in Tanzania. Although no centralized organization oversees the collection and distribution of zakah at the national level, there are efforts to get all Islamic organizations under one umbrella and work towards a common goal of forming a national zakah organization.⁶² The Waqf and Trust Commission Act of 2007 in Zanzibar puts the commission to be formed in charge of managing zakah and gives it the power to set up a special organization to do this.⁶³

3.3.3. Islamic Social Finance in Kenya

Although the Government of Kenya, county administrations, and various non-governmental groups have implemented numerous social programs, certain societal problems remain. Most Kenyans are still affected by poverty, lack of adequate food and safe drinking water, lack of education, and equitable access to the property. Islamic social finance is seen as a sector with enormous potential for resolving these social and economic concerns because of its significant contribution to achieving SDGs through Islamic social finance tools.⁶⁴ According to a 2015 report by the Islamic Development Bank (IDB), the average zakah potential of Kenya was estimated to be between USD126.56 million and USD305.16 million, 0.13 percent and 0.30 percent of the country's GDP, respectively.⁶⁵ Given the high poverty rates among Muslims worldwide (35% of the 2 billion people facing poverty in the world live in Muslim majority countries⁶⁶), the function

⁶² Obaidullah, Mohammed, and Nasim Shah Shirazi. Rep. Islamic Social Finance Report 1436H (2015). Jeddah: Islamic Research, Training Institute (IRTI), 2015. <https://isdbinstitute.org/product/islamic-social-finance-report-1436h-2015/>.

⁶³ *ibid.*

⁶⁴ Dzuljastri Razak Abdul and Qosdan Dawami, "Achieving Islamic Social Finance Goals through Zakah, Waqf, and Sadaqa in Selected Countries: Issues and Challenges," n.d., accessed April 2022, <https://www.scitepress.org/Papers/2019/101145/101145.pdf>.

⁶⁵ *Supra*, n62.

⁶⁶ Thelwell, Kim. "Poverty Alleviation in Muslim Majority Communities." The Borgen Project. Kim Thelwell https://borgenproject.org/wp-content/uploads/The_Borgen_Project_Logo_small.jpg, October 23, 2020. <https://borgenproject.org/poverty-alleviation-in-muslim-majority-communities/>.

of Islamic social finance has acquired significant importance. Its main goal is to address the needs of the poor and reduce their steadily rising poverty levels. Therefore, it is crucial to assess how well Islamic social funds could be able to supply the necessary resources for reducing poverty.

Islamic social institutions such as zakah and waqf are critical in the fight against poverty and in ensuring a society's social and economic empowerment. These forms of social finance can be harnessed for greater economic impact in specific disadvantaged segments of society by their effective use, such as providing capital to start a business, settling debts, and building hospitals and schools. Unfortunately, just like in Tanzania, there is no data on the country's collection and distribution of zakah. Organizations are working independently; wealthy people are giving out their zakah themselves to those beneficiaries they consider poor. There is a lack of awareness of the availability of zakah institutions. This has hindered the efficient collection of zakah and its distribution targeted towards improving livelihoods and economic welfare.⁶⁷

To address this gap in zakat and waqf data from Kenya, the researcher administered Google questionnaires in an online survey. The questionnaire sought to obtain data on the respondents' understanding of zakah and waqf, availability of zakah or waqf institutions in their locality, understanding of these institutions' impact, challenges, and recommendations on how to make them efficient in the delivery of their mandate. Some of the reasons why the survey was used include:

- Uncover the respondents' answers in a non-intimidating environment where they can confidently provide longer and more detailed answers without feeling judged by the interviewer. The survey was online hence more private and less intimidating than face-to-face surveys or interviews.
- It was cheaper to administer online surveys than face-to-face or telephone interviews. Online surveys also allow access to a larger audience in the shortest time possible.

Questionnaires were used to collect respondents' thoughts and preferences on zakah and waqf over the internet to gain important and relevant information on zakah and waqf. The questionnaire contained a mix of closed-ended and open-ended questions. Purposive sampling, one of the most common sampling techniques, was used in the study. The researcher was only interested in Muslim replies. Although I did not receive many responses, I was very pleased to get specific feedback from zakah and waqf experts. To summarize the collected responses, pie charts and histograms were used.

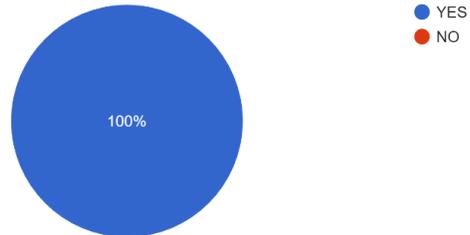
The results of the survey are presented next.

⁶⁷ *ibid.*

Survey Findings:

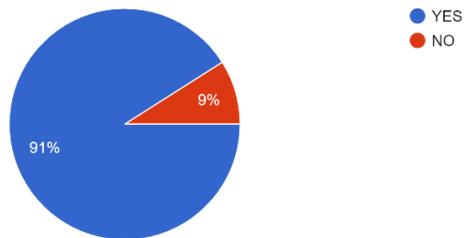
Question 1: Do you know what zakah is?

I know what ZAKAH is
89 responses



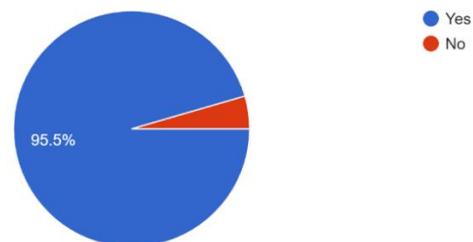
Question 2: Do you know what waqf is?

I know what WAQF is
89 responses



Question 3: Have you ever paid zakah or sadaqah before?

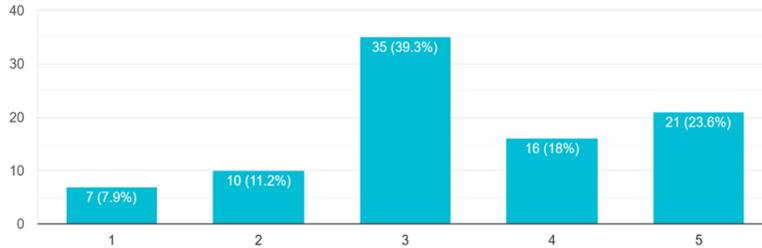
Have you ever paid Zakah or Sadaqah before?
89 responses



Question 4: On a scale of 1-5 (1 being least effective, and 5 being most effective), what is the effectiveness of the activities carried out by Zakah/waqf institutions?

On a scale of 1-5 (1 being least effective, and 5 being most effective), what is the effectiveness of their activities?

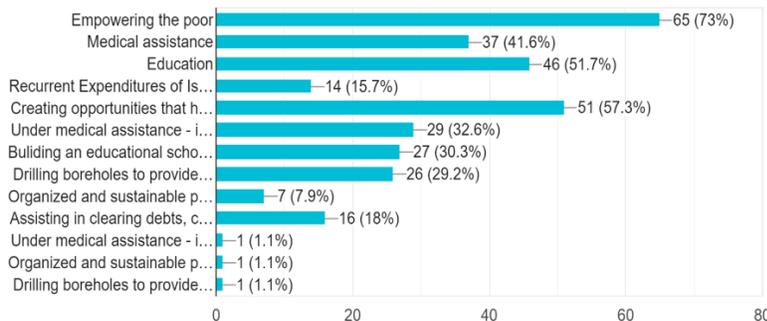
89 responses



Question 5: In your opinion, what area of life should emphasize when distributing Sadaqah/Zakah?

In your opinion, what area of life should emphasis be put when distributing Sadaqah/Zakah?

89 responses



The online survey result shows that all the respondents agree that Islamic social finance tools like zakah and waqf can potentially empower the poor and the needy socially and economically. Additionally, some respondents were aware that the lack of information on zakah and waqf collecting institutions affected the collection and distribution of donations. Prioritizing the needs of the poor and needy in favor of the other zakah beneficiaries was also faulted. The absence of a unified and central institution was also cited as a hindrance in maximizing zakah and waqf collection and distribution. It is believed that philanthropy in the Kenyan context is not organized, and though it has all the potential, zakah and waqf institutions have failed to support development in Muslim communities. When asked about the obstacles that zakah and waqf institutions face in Kenya, most Islamic finance experts cited the absence of a strong legislative framework, ignorance on the side of prospective donors, and a lack of awareness of the institutions that receive zakah and waqf donations. More challenges are further discussed in the next section.

4. Challenges in Proposing Islamic Social Finance for Social and Economic Sustainability

Several challenges were observed from the responses given during the online survey relating to the practicability of advocating the use of zakat and waqf to support the State's efforts in achieving social and economic sustainability. The following are some of the challenges that the respondents cited:

Public Ignorance of Zakah/Waqf's Great Potentials

The respondents believe that waqf is only intended to be used for religious endowment and not to contribute to social development. Essentially, this means that the research sample surveyed was unaware of the enormous potential of these social instruments to serve religious needs and charity goals aimed at reducing poverty and improving access to quality education and health care. Ignorance from potential zakah and waqf contributors makes it difficult financially for these institutions to grow; hence, fewer people will benefit from social and economic empowerment programs.

Insufficient Administration Manpower

The respondents believed that waqf and zakah administrations in Kenya lack the workforce to regulate and supervise the assets owned or at the disposal of the social institutions. Shortage of workforce makes it difficult to collect and distribute charity to deserving people, reducing the potential impact these institutions can have in empowering the poor and the needy.

Lack of access to information

The respondents felt there is no readiness to share information by officials of these institutions. Bureaucracy in these institutions makes it difficult to access crucial information for research purposes or personal consumption. The public feels reluctant to contribute to institutions that are not transparent. This locks out potential contributors who value transparency; hence, fewer people benefit, leaving many deserving individuals out.

Lack of Accountability

The respondents felt that when it comes to handling the zakah and waqf institutions, the management is given the authority to do so and to keep track of their income and expenses. A lack of honesty and accountability impedes the development of more waqf properties and zakah collected in Kenya, minimizing the potential impact it would have on empowering the needy socially and economically

Misuse and Illegal Occupation of Waqf properties

Respondents felt that waqf properties are illegally occupied by private persons, organizations, groups, or government agencies. This denies the zakah and waqf institutions the

opportunity to receive and distribute the rental income that would have come from these properties for the benefit of the poor and needy.

Want to Fund the Waqf Estates

Due to a scarcity of funds to maintain the Waqf estates' upkeep, maintenance, renovation, and capacity building, respondents felt that waqf institutions could no longer fulfill their mandate of addressing societal issues, including education and health care shortages in Kenya.

Lack of Professional Management and Innovative Ideas

Respondents believed that waqf administration and field management lack professional and technical knowledge in administering, managing, and growing Waqf estates. Professionalism has a direct and positive influence on the transparency of zakah and waqf institutions which will encourage more contributors to come on board, resulting in more recipients being empowered. Adopting new and innovative ideas like cash waqf will encourage people without much immovable property to contribute and benefit from the waqf system.

5. Conclusion and Recommendations

Islamic social finance instruments have contributed significantly to Islamic societies' socio-economic and religious development.⁶⁸ However, the impact these instruments have had on Kenyan Muslims living in poverty is insignificant compared to countries like Malaysia or Tanzania. With an estimated yearly zakah potential of USD234.1 million (0.2% of the GDP), Kenya has the potential to supplement the implementation of programs for SDGs by concentrating on projects that reduce poverty and social projects on health and education. Having identified the contribution Islamic social finance can make to improving the social and economic well-being of people, several practical recommendations are proposed below:

Setting out the regulatory and supervisory roles of institutions dealing with zakat and waqf

Zakah and waqf institutions must be strengthened in regulatory and supervisory roles to effectively and efficiently fulfill their roles. It is also necessary for the administrations to improve their database and records on assets under their care. For example, having quarterly reports, high-quality publications, and procedures for founding new waqf estates and zakah contributors. It is also vital to enhance its legal wing to recover waqf estates from illegal occupation and resolve other legal matters involving waqf estates. Trust is critical in managing zakah/waqf estates and maintaining their revenue and spending accounts. Since the integrity, accountability, and efficiency of the management is critical to the long-term success of these institutions, clear and transparent guidelines must be

⁶⁸ Hasan, Samiul. *Philanthropy and Social Justice in Islam: Principles, Prospects and Practices*. Kuala Lumpur: A.S. Noordeen, 2007.

established for selecting qualified management and assigning their duties and compensation. For the sake of the beneficiaries, the workforce needs to be well-educated and professionally competent enough to conserve, defend, and develop their holdings. As part of the waqf regulation, a Shariah Board should be established and include Islamic jurists, professionals in zakah/waqf and investment banking, and officials from the government. The Board's role will be to guide the administration.

Creating awareness amongst the Muslims of the influential roles of zakat and waqf

It is important to raise awareness among Muslims and policymakers about the enormous potential for social development within waqf and zakah in Kenya. Islamic scholars, researchers on waqf, charitable Muslims, private corporations with charitable wings, policymakers, and Islamic banks and NGOs can all discuss ways to raise awareness about the waqf and zakah institutions, according to the regulatory body in charge of overseeing them. An annual waqf, zakah expo, or conference could be organized to encourage this. The waqf administration might apply for money from Islamic banks and other Muslim well-wishers to establish the zakah/waqf Administration Training and Research Academy. Establishing the zakah/waqf Administration Training and Research Academy institution is an absolute necessity if we are to promote zakah/waqf properties in Kenya effectively. Local Islamic Universities like Umma University and the Islamic University of Kenya should start such centers in their institutions to train zakah/waqf administrators and field managers to promote professional and technical expertise in administering, managing, and growing zakah institutions and waqf estates. Finally, the Academy will publish research studies, quarterly and yearly reports, papers, and articles about zakah, waqf property management, and new development in the industry.

Innovative Waqf instruments

The development of alternative waqf instruments like cash waqf and corporate waqf can help revitalize waqf institutions. One stumbling block to creating new waqf properties is that land has become very expensive, enabling only the rich to form or contribute to the awqaf properties. The cash received can be advanced as loans to small-scale businesses, and the revenue generated to be used for charitable purposes. This mode of waqf is meant to engage all Muslims to contribute to the waqf fund irrespective of their financial status.

Forging International Partnerships

Kenya can collaborate with international institutions such as the Islamic Development Bank and waqf wealthy countries like Saudi Arabia, Kuwait, Malaysia, and Turkey to promote Islamic social finance properties towards social development. The Islamic Development Bank may be able to assist in the development of zakah and waqf properties in Kenya, both technically and financially. Organizations like UNDP can also help Islamic social finance organizations figure out which SDGs they want to support and then help

them create programs. As part of the broader development strategy, integrating zakah and waqf institutions can play a vital role in transferring opportunities and assets that enable the impoverished to become productive.

This paper delivers a comprehensive analysis of Islamic social finance as a financial tool that can promote social and economic empowerment. The current debt level is not sustainable in the long run hence the need to look for alternative means of raising sustainable funds while decreasing the country's reliance on foreign debt. Kenya's zakah potential of between USD126.56 million and USD305.16 million could be utilized for a better and more equitable society and has the potential to positively contribute to the social and economic empowerment of the poor and needy citizens. The Kenyan government should simplify laws, regulations, and administrative procedures related to zakah and waqf formation and management. For example, if the tax laws provide tax incentives to the charity givers, the giving level increases. This improvement was witnessed in Malaysia after the introduction of a new system of zakat collection through a nonprofit organization.

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