

Social sukuk: A new mechanism to fund social services

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ABSTRACT

While the premise of Islamic finance embraces the principles of maqasid al-shariah and risk sharing with claims to social justice and welfare, the direct impact of the modern Islamic finance industry and its contribution to the social sector has been limited. This paper examines the claim among critics that there is an inherent weakness of the present day Islamic banking and finance in terms of its underdeveloped social sector and argues for the need for new models that will enhance a proliferation of shariah compliant financial products for solutions in the social sector. The paper examines the emergence in Social finance of social bonds as new financing tools targeting on social needs and problems that otherwise would not be tackled. This paper discusses the benefits of structuring such a shariah compliant product and makes recommendations for structuring this new asset class referred to in this paper as social sukuk.

1. Background and purpose

The social sector has generally been excluded in product innovations and the discourse of Islamic finance and banking industry as compared to the private or business sector and the government sector (Ismail, 2014). Islamic Finance is often criticised for its lack of commitment to making a real difference for the welfare of the bottom billion in the world or the bottom 40 percent of any economy's population. Many Muslim countries are either poor or are emerging economies. For the past 30 years, the global finance industry tend to benefit the high networth individuals (HNI) and the corporate players, with limited participation from public and limited benefits to the marginalised sector. The main beneficiaries of Islamic finance, like conventional finance are mainly the rich and the middle class rather than the poor and needy who also exist in society (Muneeza, 2016). What has developed apart from initiatives on the revival and reform of the waqf and zakat system indicate a clear lack of innovations for social objectives. Although the Islamic capital market with its impressive development in sukuk issuance does contribute to the economic and infrastructure development, hence have social impacts in many countries,

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scholars and practitioners including the 2014 Royal Award in Islamic finance recipient Abdul Halim Ismail notes a lack of concern among Islamic financial institutions in the field of social innovations in Islamic Finance (Ismail 2014, ISRA 2009, 2012).

The rest of the paper examines this inherent weakness of the present day Islamic banking and finance industry in terms of its underdeveloped social sector and argues for a need for new models that will enhance a development of more *shariah* compliant financial products for solutions in the social sector. The paper looks at developments in *social impact bonds* and *social bonds* in the social finance space and provides a recommendation for the structuring of *social sukuk*- a new *shariah* compliant asset class to be used to raise funding for solutions in the social sector.

2. Islamic finance, *Maqasid al-Shariah* and the social sector

Islamic finance is often couched in the principle of risk sharing and often with claims to social justice and welfare. However, development in the industry has been centred on profit making commercial activities in particular to the growth of products by financial institutions to raise funds for corporations and the states, with little emphasis to the social sector. The growth of Islamic bond or better known as *sukuk* for example has been responsible for much of the attention on Islamic finance. Granted *sukuk* issued by sovereigns and some of the supranational agencies like the Islamic Development Bank have been used to finance infrastructure development which arguably serve people at large, there are very few products which relate specifically to the social sector.

Islam calls for a comprehensive development of an economy and puts emphasis on social welfare. This comprehensive or balanced development is defined by Mirakhor and Askari (2010) as development in the three dimensions constituting development of the individual self, the physical development of the earth and the development of the human collectivity or the society itself. The central economic tenet in Islam is to “develop a prosperous, just and egalitarian economic and social structure in which all members of society irrespective of their beliefs and religious affiliations could maximise their intellectual capacity, preserve and promote their wealth, and actively contribute to the economic and social development of society” (Bennet & Iqbal, 2013). These principles are enshrined in the *maqasid al-shariah* or the objectives of *shariah* or Islamic Law. The overriding objective is to preserve the public good or *maslahah*. The objectives of the *shariah* is to promote the well being of all mankind, which lies in safeguarding their faith (*din*), their human self (*nafs*), their intellect (*aql*), their posterity (*nasl*) and their wealth (*mal*). Whatever ensures the safeguard of these five serves the public interest and is considered desirable (Dusuki & Abdullah, 2007). Protection or safeguarding of these elements is regarded to be preserving the public good or public interest. Hence the concept of public good in Islam is beyond market considerations of non rivalry and non excludability of material consumption but rather their roles in the safeguarding of sacred functions related to faith, human life, intellect, sustainability of mankind and wealth.

Theoretical, philosophical as well as historical analysis of Islam places importance in its contribution to the social sector. Discourses on Islamic Finance particularly in relation to the issue of form and substance and the discourse on *maqasid al-shariah* (objectives of *shariah*) points to an important aspect of value proposition of Islamic financial products. The *shariah* compliance should satisfy not only the minimum “legalistic form” but should embed some minimum standards of “substance”. Discourses on the *maqasid al-shariah* provide ample discussion and emphasis on issues of equity and fairness in Islam (Kamali, 2006). It is also in the spirit of the *maqasid* that the industry should be inclusive, and that it

considers justice and the well being of the society at large as joint responsibilities. Thus, it can be argued that *shariah* compliant products, unlike the conventional instruments, by virtue of it being *shariah* compliant in its form must have embedded in it the “substance” where social and ethical values are incorporated in the structuring and distribution of the products. The products which are recognised as *shariah* compliant in the market do meet the requirements of *shariah* compliance according to the standards accepted by whatever jurisdiction in which the products are issued. The standards vary from one jurisdiction to another. While this can be an issue in itself, our focus in this paper is more to highlight on the current screening standards that form the criteria for *shariah* compliance which tend to provide for “negative” screening in the sense of screening out prohibited elements and not “positive” screening that will screen in products which have mandates on SRI (sustainable, responsible and impact investing) and the ESG or environmental, social and corporate governance criteria to promote sustainable and responsible investing. Thus, in reality despite its moral claims, the Islamic finance industry both in terms of the quality and the range of products are still far from serving the higher objectives of the *shariah*.

Why then has there not been much more contribution from the Islamic finance industry to the social sector and to the principles of *maqasid al shariah*? Islamic finance industry has been centred very much on the development of *shariah* compliant products, mimicking conventional products which are available in the market by making them meet requirements of the prohibitions on *riba*, and other prohibitions such as gambling, excessive speculation and uncertainty by adopting the various legal contracts allowed in Islam. Over the years, the Islamic finance industry appears to have been overly technical and legalistic, a focus on the “form” rather than “substance”. Bennet and Iqbal (2013), argues that traditionally Islamic finance has relied on negative screening. *Shariah* compliant equity funds for example, have grown significantly through screening and filtering of stocks of businesses according to a set of rules that screen out prohibited activities such as funds that are involved in gambling and alcohol. On the fixed income side of the market, the negative screening has been the pre dominant strategy. While negative screening ensures investors that the money they invested is not used to support investment that is prohibited by Islam, these investors are not given the opportunity to affirm their belief in a more positive manner, that is to pro actively direct investment to areas which have important impacts from the *maqasid al-shariah* point of view.

Bennet and Iqbal (2013) argues that the lack of supply of such products is largely a result of a lack of clearly expressed demand from investors. But would investors be sophisticated enough to be demanding such social impact products? Arguably much development in the Islamic industry in the last thirty years has been supply led. In a leading Islamic finance country like Malaysia where development in Islamic Finance has received a lot of government support, the market has been seen to be supply led through initiatives from government linked organisations like Khazanah Nasional. In its attempt to propel Malaysia as a global market leader, Khazanah has issued many landmark sukuk. Following the 2014 Malaysian Securities Commission issuance of the first guideline on SRI sukuk, Khazanah Nasional Berhad in June 2015 has issued the Ihsan sukuk which is Malaysia’s first SRI sukuk, and possibly the world’s first SRI sukuk raised to finance education.

For much of the time though, there is hardly anything specific to target on social impacts and providing solutions to social issues. It is true that one can argue that perhaps many of the retail products promotes financial inclusion, and Islamic home financing provides the solution to home ownership to those who would otherwise not own houses due to the absence of forms of financing that adhere to the principles of their faith. However there is still a dearth of initiatives and *Shariah* compliant products

dedicated to the social sector and for Islamic finance to exist in the name of moral justification, it just have to do a lot more than what is currently offered.

It is also tempting to ask if indeed the Islamic finance industry which one might guess to be of no major difference from any other industry in terms of its profit making motives, would really dwell into the social sector as it does not promise high returns. The Islamic finance industry in fact can be said to be rather complacent, preferring to offer safe less risky products as evidenced in the overwhelming presence of debt based products offered in the market rather than the profit- risk sharing partnership or joint venture products one would expect to see available. A similar example can be obtained in the case of the reliance on the BBA (*bai bithamin ajil*) and *murabaha* Islamic home financing rather than the *musharakah mutanakisah* (MM) form of contract which scholars argue to be more favourable in terms of risk distribution between bankers who offer financing and the clients who rely on the financiers' financing. The reluctance on the part of the financial institutions to switch to MM mode of financing may very well be due to the fact that they have to bear increasing amount of risks which under the BBA and *murabah* are meantly borne by the customers. So unless there is more commitment on the supply side to have more investment in providing the transition from plain vanilla and safe products to products which have more social impacts at least in terms of the risk sharing practices that are "fairer" to customers, and the channelling of investment funds into areas that embrace the concept of maqasid *shariah*, Islamic finance is still far away from being true to its spirit.

There is a proven track record in Islamic history pertaining to financing the social sector for example using tools of *zakat* (mandatory alms giving) *sadaqa* (voluntary alms or charity) and *waqf* (perpetual endowment). Mirakhor *et al.* (2015) for example argues that the proven track record in the development of public facilities and services in the past is testament to the significant and long term beneficial effects that a well-designed waqf system can have on a country's moral, social, economic and political landscape. †

Since the social sector has been funded through these social tools, a greater part of the public services have been funded by the social sector for the social sector. This has meant a reduced burden on the part of the government to raise for public spending. However, at various times in history, *zakat* and *waqf* have also been institutionalised to improve its working and efficiency. Later, the shift from the social sector to the government sector, by adding beaucracy and removing the flexibility of the system, and the coming of colonial intervention in these muslim countries had contributed to the downfall of the *zakat* and *waqf* system world wide (Cizakca, 2015). In some countries, like Turkey and Egypt one can still see the remains of the old system of *waqf*. While in other countries like Malaysia (Cizakca, 2015) and Singapore, there are notable attempts at reviving the old system and using the concept to build more innovative ways to solve social issues.

†Notable examples funded under waqf include public services in Muslim Ottoman cities, *Dar al Hikmah* (abode of Wisdom), built by the Fatimid Caliph al Hakim in the eleventh century, Madrasah Nizamiyah in Baghdad, al Qarawiyyin in Fez, recognised as the oldest university in the world, University Al Azhar in Egypt, University of Cordova in Spain, Universitas Islam in Indonesia, Shishli Children Hospital in Istanbul and Al Noori Hospital in Damascus (Makdisi, 1982 and Kamali, 2014 as cited in Ng, 2015 pp 180 notes no.19)

3. The motivation for new social financing tools

While it is true that there is an improved system in terms of zakat collection and to new initiatives related to *waqf* in countries such as Malaysia and Singapore these are mainly done by government agencies with very little participation from the private or the third or social sector. Islamic civilisations such as that of the Andalusian Spain and the Ottomans have had rich history whereby the social welfare sector was highly developed by the contribution from *waqf* much more than by the government funding (Cizakca, 1998, 2015). In fact Cizakca (2015) argues that *waqfs* constituted for centuries civil society institutions par excellence for the Islamic world. The *waqfs* were established with private capital, which was often pooled, they were decentralized, autonomous decision making units involved in local and community issues. So unlike the present day SRI and ESG and the *Shariah* compliant investment tools which mainly involve screening process, either positive or negative, *waqfs* in the Islamic tradition interestingly have had elements of what we would today describe as shareholder or stakeholder engagements and community investment.

There have been rising concerns and initiatives in both the Islamic and ethical space on alternative forms and models of finance, entrepreneurship and economic development. This illustrates an increasing interest globally to look at alternative ways of creating values which are more ethical and responsible and empowering the community and society at large. There has been interesting new terminologies and innovations such as developments in social impact bonds, green bonds, social bonds, crowd funding, social entrepreneurship, inclusive growth, growth with distribution and sustainable development. These ideas and concepts reflect serious thinking which challenge the philosophy of the mainstream finance and the rise of economic financialisation which tends to benefit the private and the government sector at the expense of the social sector.

Mohamad *et al.* (2016) suggests that shifting systems and ongoing dynamics of social welfare provision, including severe cut backs in public expenditures, are transforming traditional ways of funding social services. Public bodies are more and more turning to - and encouraging - private organizations, either from the third sector or from the commercial sector in the form of social enterprises, to target social needs and problems that otherwise would not be tackled. Amongst the reasons for this development may be an alleged higher efficiency and perhaps effectiveness of the private sector with their more narrow focus compared to their public counterparts. Thus it seems that as a perfect instrument to first encourage and fund social enterprises and secondly to ensure efficiency and effectiveness, social impact bonds or simply social bonds have been created in various shapes and sizes (Mohamad *et al.*, 2016; Fox & Albertson, 2011; Glänzel *et al.* 2015; Lehner & Nicholls, 2014).

Innovations in Social Finance (Lehner, 2013, 2014) and social entrepreneurship (Nicholls, 2008) provide the timely climate and landscape to spur the development of more *Shariah* compliant financial instruments combining financial and social returns, that at the same time help expand the universe for Islamic products. Product proliferation especially in the social sector and the development of new business models of the traditional *waqf* and zakat sector being much needed by the Islamic finance industry, will attract new Islamic investors including ethical and responsible investors, philanthropists and institutional investors with social mandates. This transformation increases the social investor base that will help promote social capital, growth with distribution and social stability.

In making a value proposition, Islamic Finance could provide a difference not just to the HNI (High Network Individuals), the sovereigns and the big corporate players, but that it could expand and be

diffused in the social fabric of the society, much like the *waqf* based social and economic activities during the Ottoman and Spanish Islamic civilisations; where the basis of *Shariah* law was applied to serve the social sector and benefited people at large regardless of religious affiliations.

4. Development in social bonds

A social impact bond (SIB) or sometimes called simply social bonds can thus be considered as a new type of public-private partnership aiming to provide social services, as well as a funding mechanism (Jackson, 2013; Nicholls & Tomkinson, 2013; Mohamad *et al.*, 2016). Inherent in the SIB's contractual arrangements are evaluation mechanisms and performance indicators, measuring the outcome of the service delivery. While in literature such outcome metrics are still highly disputed, they are demanded for by investors and decision-makers in practice (Yen, 2015). Warner (2013) alongside Liebman (2011) describes SIBs as hybrid instruments with elements of both, equity and debt. The actual classification is based on the contractual arrangements concerning risks, returns, subordination in the case of liquidation, and implied ownership rights.

A government commissioner works with a private financing intermediary, which agrees to raise (for example from social banks, impact investment funds, venture philanthropists, or Big Society Capital in the UK) investment capital and provide up front financing to the social venture. As a first step, these intermediaries take care of the screening and due diligence of the fund-seeking venture. What can be seen from first empirical evidence is that a proven track record of social service delivery can be regarded as a very strong signal in this screening process. While there is certain logic to it, it also discriminates against new market entries with innovative ideas – yet such entrepreneurial ideas are one of the central promises of the governmental outsourcing process. It seems that the rationales of the intermediaries are perhaps increasing efficiency, but perhaps at the cost of innovation. Based on the level of achievement of the contractually agreed social outcomes (often in a staggered form), the commissioner pays back the principal to the intermediary, who in-turn reimburses the investors - the actual sum ranging from just the nominal up to the inclusion of a certain interest, which in most cases is still sub-par compared to the implied (and still poorly understood) risks. Upon failure to deliver, the principal itself is at stake. An independent assessor is commissioned to assess and report on the targeted outcomes.

As can easily be derived from this description, the setup of a SIB is a very complex endeavor that includes a multitude of involved players who find it increasingly difficult to find a common ground as their motivations fundamentally differ based on their role in this setup. What is even more aggravating is the additional pressure of finding and agreeing on a suitable metric to assess the outcome of an often complex and dynamic societal intervention (Butcher, 2015; Dagher, 2013; Fox & Albertson, 2012; Lehner & Nicholls, 2014; Liebman, 2013; Ragin & Palandjian, 2013; Warner, 2013).

Despite this complex setup, many countries are already embracing the concept based on its implied promises. This is rather remarkable as so far most SIBs in the UK have failed for various reasons, including the pilot SIB, the Peterborough SIB (Disley and Rubin, 2015; Nicholls and Tomkinson 2013; Wilson *et al.*, 2015), which failed to reach its target in the first years and was closed early in 2015 due to external changes.

The first social bond launched in 2010 is the Peterborough Social Impact Bond, UK provides funding for a programme aiming to reduce the rate of reoffending among prisoners serving short sentences at Peterborough prison. Data released in October 2013 suggest 12 per cent decline in

reconvictions amongst programme participants compared with a 11 per cent increase in reconvictions for similar ex-prisoners nationally. However this first project of social bond failed to reach its target in the first years and was closed early in 2015 due to external changes.

The New York City Social Impact Bond, launched in 2012, which raised USD\$9.6m capital to finance a programme also aimed at reducing reoffending among adolescent offenders at Rikers Island correctional facility. If successful, depending on the reductions in re-incarceration rates achieved, the City is expected to gain net savings of between USD\$1m and USD\$20m. Another social bond The Newpin Social Benefit Bond, launched in New South Wales in March 2013, raised AUD\$7m capital for a parenting programme to restore children in out-of-home care to their families and prevent at-risk children from entering care. This programme is expected to generate savings of AUD\$80m if the targeted level of child restorations is achieved. (<http://www.health.govt.nz/our-work/preventative-health-wellness/social-bonds-new-zealand-pilot>).

These projects certainly are important innovations that attract global attention because they have the potential of becoming powerful tools as social solutions in our society. The social sector everywhere seems to lack funding and with governments in many countries having huge debt problems, these solutions should be welcome everywhere. Social bonds are slightly different from tools of sustainable, responsible impact investing or the SRI investing but they might overlap. Although both have social impacts, social bonds represent not the usual SRI model of financing a business venture with concerns on the social or environmental impacts. Social bonds are a totally new way of government contracting, viewing solutions to social problems as opportunities for society to solve and in the end be rewarded with its success.

5. Potential benefits of social sukuk

Islamic financial industry is largely known for its prohibition on interest or *riba* but the ethical and socially responsible dimension of the system is often ignored. There is a large potential that can be leveraged to increase the universe of Islamic finance by exploring this SRI space. Mohamad *et al.* (2016) puts forward the SIB model for sukuk as a collaborative stakeholder model that enhances efficiency and among the benefits include providing sustainable funding that can be used for delivery of social services, promoting risk sharing among stakeholders so that the burden does not fall only on the government as a service provider and the new model helps to spur innovations for solutions to social problems that otherwise might be too costly and too risky for governments to undertake. The securitization of social programs whose performance is driven by measurable social outcomes represents a new alternative investment asset class that has low correlation to the conventional markets (Ng *et al.*, 2015). SIBs are expected to be less subject to market volatility due to macroeconomic shocks, business cycles or market behavior. This new asset in the Islamic investment should be a very much welcome addition as supply and opportunities for portfolio diversification in the Islamic space are still limited.

Structuring a social bond requires careful identification of a desired social outcome. However turning it into a *shariah* compliant product may raise *shariah* issues that require careful investigation and coming up with a *shariah* resolution. For example, if the social sukuk is to be structured, what is the underlying asset and what kind of Islamic contract that can be used here? Is it acceptable that the delivery of a social service outcome be turned into a financial product that gives returns when social projects could simply be financed directly using the traditional *waqf*, charity and endowment funds? Why the round about way? An obvious motivation is that a financial instrument like bonds or sukuk could offer a more

productive and efficient way of using government or charity funds because success outcomes are carefully defined, measured and rewarded. Many of the pioneer social bonds were structured and issued based on an expectation of some calculated cost savings. These projected cost savings provide a big justification for the use of these instruments and calls for an initial investment to have these tools as part of government's financing mode. In addition, increased transparency and governance as well as an injection of market discipline made possible through wider participation in this multi stakeholder approach would reduce opportunities for corruption and misuse of the pooled funds.

5. Structuring a social sukuk

Social sukuk can be an innovative way for private and not for profit organisations to partner in delivering better social outcomes, and be rewarded by government or any organisation with social mandates that becomes an obligor to the social sukuk issued. If these businesses and social enterprises which become serve providers achieve agreed results in terms of the social outcomes – the obligor will pay the investors back their investment plus a return. Investors' returns depend on the level of results, up to an agreed maximum. In this model at least five parties are involved:

1. *The obligor*- the principal party responsible for the issuance, sale and purchase back of sukuk at maturity.
2. *The investors* either retail or institutional provide upfront funding to service providers
3. *Service providers* who deliver the social services
4. *An intermediary* assists with raising funding and driving service performance
5. *Independent assessors* review and verify results.

A further complication and challenge to structuring a social sukuk as opposed to social bonds is the identification of a *shariah* contract or a multiple of *shariah* contracts that can be used to raise the funding. However since the *shariah* compliant sukuk capital market is rather established and market jurisdictions such as Malaysia and the Gulf are renowned for structuring innovative and landmark sukuk, structuring social sukuk can be seen as further extensions in this market.

Further, pioneering initiatives such as the social sukuk launched by the International Finance Facility for immunisation or more commonly known as the vaccine sukuk which raised USD4500 million in 2014 for childrens' immunisation in the world's poorest countries and the 2015 first Malaysian SRI sukuk named as the Ihsan sukuk can provide models and lessons for future issues. There are many benefits that can be reaped from such development, one is that of bridging the conventional space with Islamic finance but more importantly the growth of social impact products within the Islamic space would strengthen social capital and brings it closer to the true spirit of Islamic finance of *maqasid al-shariah* which can be summarised as maximising social benefits and reducing harm.

A possible structure of a social sukuk based on the Khazanah Ihsan sukuk structured using the *wakalah bil ithmar* structure can be depicted by Figure 1 on the next page. Furthermore, Table 1 summarizes the process involved in issuing such a sukuk.

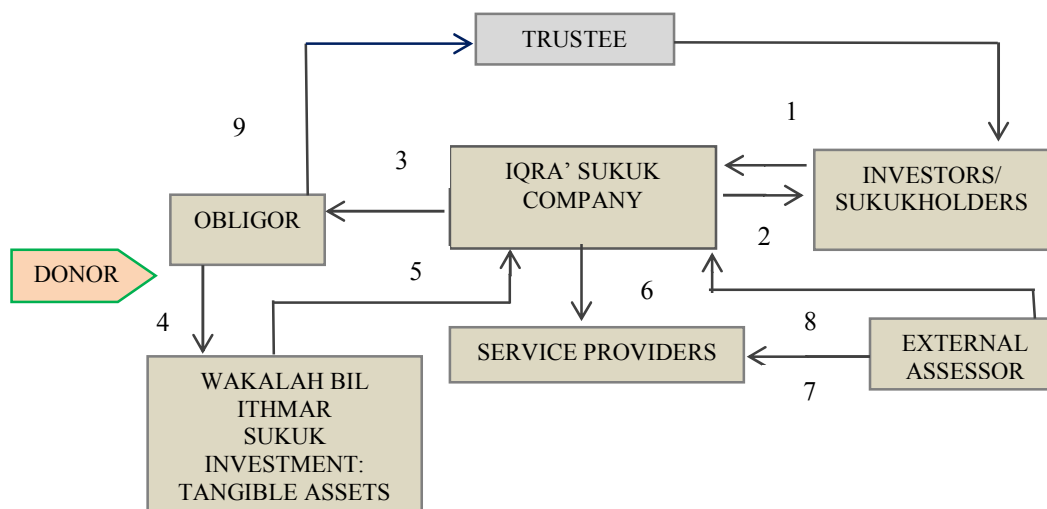


Fig. 1. The proposed structure of a social sukuk

Table 1. Process of issuing a social sukuk.

| | |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Step 1 | Investors/sukukholders provide capital to the issuer (1). By purchasing the sukuk investors provide monetary capital with clear and transparent terms pertaining to the purchase including <i>shariah</i> contract used, any periodic income payment and purchase undertaking by obligor at maturity and rights to investor protection. |
| Step 2 | The issuer which can take the form of a special purpose vehicle/company set up for this purpose, shall issue social sukuk (2). The status of issuer is as an agent (<i>wakeel</i>) to manage the pool of capital. The issuer would obtain <i>wakalah</i> fees from the investors. |
| Step 3 | The issuer would appoint the obligor (3) to appoint <i>wakeel</i> to conduct investment activities (4)&(5). The service providers would obtain funds from the issuer to finance delivery of social services (6). |
| Step 4 | The issuer would pay periodic reward to investors/sukukholders. |
| Step 5 | External assessor would be appointed to verify the outcome (7) & (8). |
| Step 6 | The obligor would grant a purchase undertaking to <i>sukuk</i> trustee (9) and the full payment due (10). |

A variation of our proposed model above with that of the *Khazanah Ihsan sukuk* is the presence of another stakeholder which the “donor.” The donor /donors can be institutional donors constituting of *waqf* organisations, foundations and charities. In this model, the financial base is made bigger from the contribution of the funds from donors. In the *Khazanah* model the funds to be spent for the social objectives will be limited because the investment from the pooled funds are to be used for the the service delivery as well as to provide returns to the investors.

6. Conclusion

This paper argues that the Islamic finance industry suffers from an underdeveloped social sector that prevents it from really embracing the concept of *maqasid al-shariah* which upholds the principle of serving the public interest of maximising benefit and reducing harm. It is argued that a lop sided development which ignores the social welfare is thus not in the public interest. Eventhough supply side could be made to be more responsive if investors are sophisticated enough to demand more SRI or social impact type of products, the paper recommends that growth within this social impact universe be supply led. Due to the huge potential of the *shariah* social impact space, the paper recommends for identification of areas where products such as *shariah* compliant SIB or social sukuk could be structured.

The way forward is for the Islamic finance both as a discipline and as an industry to play a much bigger role to enhance the development of the third sector by empowering and mobilising the social sector itself with active support from the government and the private sector.

Developments in social sukuk can promote and enhance true realisation of the principles of *maqasid al-shariah*, and its practical and fiscal benefits to funding bodies such as governments, supranational agencies and charity organisations provide the motivation for these entities to identify areas where social sukuk can be developed to raise financing for solutions to social issues in the local, national and global community. Among some of the pressing needs that require financing solutions are problems on poverty, illiteracy, drug addictions, teenage pregnancy, crime and theft, flood mitigations and global humanitarian and relief work. Supranational agencies like the World Bank through its pioneering work on the vaccine sukuk is already paving the way in modeling how new ways of funding social services. Work on social sukuk can also bring a convergence and overlap in the ethical social impact investing space with that of the *shariah* compliant space and hence the universe of both can be made bigger.

Islamic finance both as an academic discipline and as an industry can expand its frontiers of knowledge and the universe of *shariah* compliant products by developing more innovative instruments that provide solutions to social problems and promote social welfare inspired by its own rich Islamic tradition and the emerging innovations in social finance. With an enhanced third sector, an Islamic economic model will be more comprehensive and holistic and not lopsided with the social sector lagging behind the other two sectors of the government and the private sector. Islamic finance as part of the more comprehensive Islamic economy could thus become relevant and be contributing to the general maintenance of social services of an economy, a role that goes beyond race and religion.

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