

Contents

Preface — V

Chapter 1

Introduction — 1

- 1.1 Rational — 1
- 1.1.1 Financial Crisis and Pandemic — 1
- 1.1.2 The Need for Alternative Financing Solutions — 3
- 1.1.3 Islamic Concept of Wealth Circulation — 5
- 1.1.4 Sustainable Development Goals and Microfinance — 6
- 1.2 Objectives of the Book — 8
- 1.3 Contributions — 9
- References — 10

Chapter 2

Importance of Islamic Microfinance — 13

- 2.1 Introduction — 13
- 2.2 Islamic microfinance and poverty alleviation — 14
- 2.3 Islamic Microfinance around the world — 14
- 2.4 Islamic Microfinance and Financial Inclusion — 16
- 2.4.1 The Concept of Financial Inclusion — 16
- 2.4.2 Significance of Financial Inclusion — 16
- 2.4.3 The concept of Financial inclusion in Islam and its status in the Muslim world — 17
- 2.4.4 Tools of Financial inclusion in Islam — 18
- 2.5 Islamic Microfinance and SMEs — 20
- 2.5.1 SMEs and access to finance — 21
- 2.5.2 SMEs Needs and Microfinancial Institutions — 22
- 2.6 Islamic microfinance and women empowerment — 24
- 2.6.1 Women's empowerment in Islam — 24
- 2.6.2 Islamic microfinance impact on Women's empowerment — 25
- 2.7 Summary — 28
- References — 29

Chapter 3

Emergence of Islamic Microfinance and Developments — 32

- 3.1 Introduction — 32
- 3.1.1 What is Islamic Microfinance — 33
- 3.1.2 Lines of Difference between Islamic and Conventional Microfinance — 34
- 3.2 History of Islamic microfinance — 35

3.3	Development of Islamic microfinance institutions —	36
3.3.1	Malaysia —	38
3.3.2	Iran —	39
3.3.3	Pakistan —	40
3.3.4	Indonesia —	44
3.3.5	Nigeria —	45
3.3.6	Bangladesh —	47
3.3.7	Brunei —	48
3.4	Summary —	50
	References —	51

Chapter 4

Islamic Microfinance Models — 56

4.1	Introduction —	56
4.2	Loan/Qard al-Hasan Based Model —	57
4.2.1	General Elements of Qard al-Hasan Contract —	58
4.3	Equity Based Models —	60
4.3.1	Mudarabah as an Equity based Model —	62
4.3.2	General Elements of Mudarabah Contract —	62
4.3.3	Musharakah as an Equity based Model —	65
4.3.4	General Elements of Musharakah Contract —	66
4.3.5	Diminishing Musharakah as an Equity based Model —	68
4.3.6	General Elements of Diminishing Musharakah —	69
4.4	Trade Based Models —	71
4.4.1	Murabaha as a trade-based model —	72
4.4.2	General Elements of Murabahah Contract —	73
4.4.3	Parallel Salam as a trade-based model —	75
4.4.4	General Elements of Parallel Salam contract —	76
4.4.5	Parallel Istisna as a Trade-based Model —	78
4.4.6	General Elements of Parallel Istisna Contract —	79
4.5	Rent Based Model —	81
4.5.1	Ijarah as a Rent based Model —	81
4.5.2	General Elements of Ijarah Contract —	82
4.6	Waqf Based Model —	84
	Description —	86
4.7	Zakat Based Model —	86
	Description —	87
4.8	Summary of the Chapter —	88
	References —	90

Chapter 5

Fintech and Islamic Microfinance — 92

- 5.1 What is Fintech — **92**
- 5.1.1 Global Landscape of Fintech — **93**
- 5.2 Match between Islamic Fintech and Islamic Microfinance — **93**
- 5.3 Islamic crowd funding and Islamic Microfinance — **95**
- 5.4 Differences and similarities between Islamic crowdfunding and Islamic microfinance — **97**
- 5.4.1 Differences Islamic crowdfunding and Islamic microfinance — **97**
- 5.4.2 Similarities Islamic crowdfunding and Islamic microfinance — **98**
- 5.5 Digitalization of Islamic microfinance — **100**
- 5.6 Advantages of Digitalization of Islamic microfinance — **101**
- 5.7 Challenges in the way of digitalization — **102**
- 5.8 Summary — **103**
- References — **104**

Chapter 6

A Proposal for a Blended Islamic Microfinance Model — 106

- 6.1 Rational for the Blended Islamic Microfinance Model — **106**
- 6.2 Comparative Analysis of Selected Islamic Social Finance Platforms — **107**
- 6.2.1 Based on Quality and Efficacy of platforms — **107**
- 6.2.2 Technology based comparison — **107**
- 6.2.3 Services Based Comparison — **109**
- 6.3 A Blended Model to alleviate poverty by Using IsSF — **109**
- 6.3.1 Zakat based microfinancing: A Blended Model — **112**
- 6.3.2 Demystification of Model (See Fig. 6.2.) — **113**
- 6.3.3 Disbursement of Funds — **113**
- 6.3.4 Technology Adoption and Process — **115**
- 6.3.5 Uniqueness of this model — **115**
- 6.4 Application of Model in Pakistan — **116**
- GDP, Unemployment, poverty and zakat ratio in Pakistan — **116**
- Zakat and Microfinance model: Case 01 — **117**
- Zakat and Microfinance model: Case 02 Optimal scenario — **117**
- Zakat and Microfinance model: Case 02 — **119**
- 6.5 Summary — **119**
- References — **122**

Chapter 7

Loan vs Product Based Islamic Microfinance — 123

- 7.1 Introduction — **123**
- 7.2 Loan-Based Islamic Microfinance — **123**
- 7.2.1 Limitations and Challenges of Loan Based Models — **124**
- 7.2.2 Case Study of Akhuwat — **125**
- 7.3 Product-Based Islamic Microfinance — **126**
- 7.3.1 Challenges of Product-Based Models — **129**
- 7.3.2 Case Study of Al-Mawakhat Microfinance — **130**
- 7.4 Summary of the Chapter — **132**
- References — **132**

Chapter 8

Challenges for Islamic Microfinance Institutions — 134

- 8.1 Introduction — **134**
- 8.2 Challenges of Islamic Microfinance Institutions — **135**
- 8.2.1 Regulatory Issues — **135**
- 8.2.2 Lack of Talent — **137**
- 8.2.3 Product Development — **137**
- 8.2.4 Risk Management — **138**
- 8.2.5 Human capital performance — **139**
- 8.3 Further Challenges — **140**
- 8.3.1 Market penetration — **140**
- 8.3.2 Sustainability of IMFI or Lack of Financing — **140**
- 8.3.3 High transaction costs — **141**
- 8.3.4 Ineffectiveness in alleviating poverty — **142**
- 8.3.5 Governance and organizational structure — **143**
- 8.4 Summary of the Chapter — **143**
- References — **144**

Chapter 9

Conclusion — 146

- 9.1 Potential of Islamic Microfinance and Roadmap Ahead — **146**
- 9.2 Recommendations — **147**
- 9.3 Suggestions for Future Development — **148**

About the Authors — 149

Bibliography — 151

Index — 163