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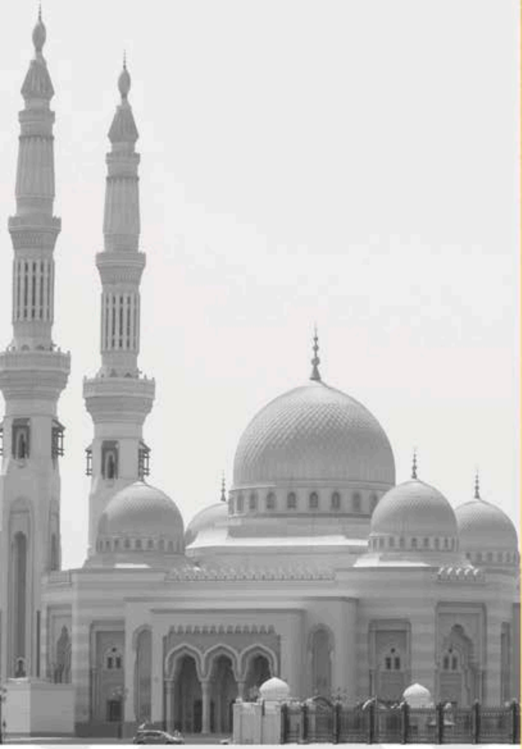

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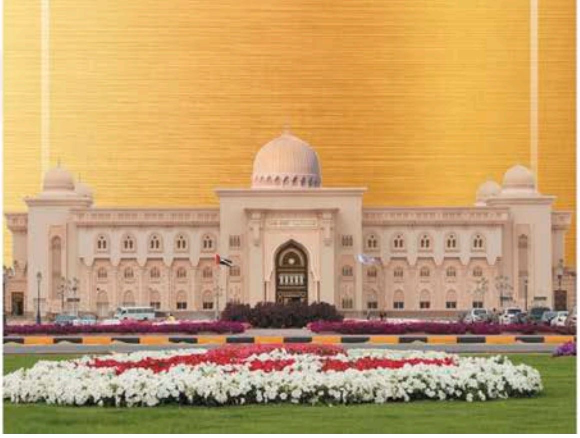

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دمج الزكاة والوقف وعقود تقاسم المخاطر من خلال آليات تمكين التقنيات المالية الحديثة من أجل تمويل أصغر إسلامي مستدام نحو الشمول المالي في الاقتصادات النامية: حالة فلسطين

INTEGRATING *ZAKAT*, *WAQF*, AND RISK-SHARING CONTRACTS THROUGH FINTECH-ENABLING MECHANISMS FOR SUSTAINABLE ISLAMIC MICROFINANCE TOWARD FINANCIAL INCLUSION IN DEVELOPING ECONOMIES: THE CASE OF PALESTINE[1]

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الملخص

تقترح هذه الدراسة نموذجًا مبتكرًا للتمويل الأصغر الإسلامي يدمج الزكاة والوقف وعقود تقاسم المخاطر، مدعومًا بأدوات شفافية مدعومة بالتقنيات المالية، لتعزيز الشمول المالي ودعم التنمية المستدامة في الاقتصادات النامية، مع التركيز بشكل خاص على فلسطين. يعتمد هذا البحث على نهج نوعي استكشافي، بالاعتماد على عشر مقابلات شبه منظمة

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أُجريت في فلسطين مع علماء الشريعة وصانعي السياسات والخبراء القانونيين. تم اختيار المشاركين من خلال عينة هادفّة بناءً على خبرتهم في التمويل الاجتماعي الإسلامي والحوكمة وعمليات التمويل الأصغر. طُبِّق تحليل موضوعي لتحديد التحديات الاقتصادية والاجتماعية والبيئية التي تواجه مؤسسات التمويل الأصغر الإسلامية. تكشف مقابلات الخبراء أن مؤسسات التمويل الأصغر الإسلامية الحالية غالبًا ما تعتمد على الإقراض القائم على الضمانات، مما يحد من وصول الفئات المهمشة إلى خدماتها. نادرًا ما تُدمج الاستدامة البيئية في المنتجات المالية، وغالبًا ما تكون أطر إدارة المخاطر الاستراتيجية غائبة. يجمع النموذج المقترح بين أدوات التمويل الاجتماعي الإسلامي (الزكاة، والوقف النقدي) وعقود تقاسم المخاطر (المضاربة، والمشاركة) من خلال منصات تُمكّن التقنيات المالية، وذلك لتوسيع نطاق الوصول، وتقليل الاعتماد على الضمانات، وترسيخ ممارسات الاستدامة البيئية. ويُركّز هذا النموذج على الحوكمة والرقابة الشرعية لضمان الامتثال، والكفاءة المؤسسية، والتوافق مع مقاصد الشريعة. ويمكن لصانعي السياسات ومؤسسات التمويل الدولية اعتماد هذا النموذج المتكامل لتوسيع نطاق الحصول على التمويل، ومواءمة العمليات مع مقاصد الشريعة، والمساهمة في تحقيق أهداف الأمم المتحدة للتنمية المستدامة. يُقدّم هذا البحث إطارًا شاملًا متوافقًا مع الشريعة الإسلامية، يدمج التمويل الاجتماعي الإسلامي مع مبادئ الاستدامة الحديثة، مما يُسهم في معالجة فجوة جوهرية في كل من الأدبيات الأكاديمية وممارسات القطاع.

Abstract

This study proposes an innovative model of Islamic microfinance that integrates *zakat*, *waqf*, and risk-sharing contracts, supported by fintech-enabled transparency tools, to promote financial inclusion and support sustainable development in developing economies, with particular reference to Palestine. This research employs a qualitative, exploratory approach, drawing on ten semi-structured interviews conducted in Palestine with *Shariah* scholars, policymakers, and legal experts. Participants were selected through purposive sampling based on their expertise in Islamic social finance, governance, and microfinance operations. Thematic analysis was applied to identify the economic, social, and environmental challenges facing Islamic microfinance institutions (IMFIs). Expert interviews reveal that existing IMFIs often rely on collateral-based lending, limiting access for marginalized groups. Environmental sustainability is rarely incorporated into financial products, and strategic risk-management frameworks are often absent. The proposed model combines Islamic social finance tools (*zakat*, cash *waqf*) with risk-sharing contracts (*mudarabah*, *musharakah*) through fintech-enabling platforms to extend outreach, reduce dependency on collateral, and embed environmental sustainability practices. Governance and *Shariah* supervision are emphasized to ensure compliance, institutional efficiency, and alignment with *Maqasid al-Shariah*. Policymakers and IMFIs can adopt this integrated model to expand access to finance, align operations with *Maqasid al-Shariah*, and contribute to the UN Sustainable Development Goals (SDGs). This research offers a comprehensive, *Shariah*-compliant framework that merges Islamic social finance with modern sustainability principles, addressing a critical gap in both academic literature and industry practice.

الكلمات الدالة: التمويل الأصغر الإسلامي؛ الزكاة؛ الوقف؛ عقود تقاسم المخاطر؛ التقنية المالية؛ الشمول المالي؛ التنمية المستدامة؛ مقاصد الشريعة الإسلامية.

Keywords: Islamic microfinance, *zakat*, *waqf*, risk-sharing contracts, fintech, financial inclusion, sustainable development, *Maqasid al-Shariah*.

1.0 Introduction

Financial exclusion remains a pressing global challenge despite notable progress in expanding access to formal financial services. According to the World Bank Global Findex, authored by Demirgüç-Kunt et al. (2022), approximately 1.4 billion adults remain unbanked, with the majority concentrated in developing economies. Limited access to affordable and ethical finance restricts opportunities for entrepreneurship, asset building, and poverty reduction, particularly among marginalized groups such as women, rural populations, and youth.

Conventional microfinance emerged in the 1980s as a potential solution, but its long-term impact has been mixed. While it has facilitated credit access, it has also been criticized for high interest rates, over-indebtedness, and reliance on collateral requirements that systematically exclude the poorest households (Lahnech & Chami, 2025). Moreover, many conventional programs prioritize financial sustainability over social or environmental outcomes, leading to mission drift and reduced poverty-alleviation impact (Ghising & Modi, 2024).

Islamic microfinance was introduced as an ethical alternative, grounded in the principles of *Maqasid al-Shariah*, which emphasize social justice, equitable wealth distribution, and risk-sharing while prohibiting *riba* (usury) and *gharar* (excessive uncertainty) (al-Sadr, 1981). In theory, Islamic finance offers various instruments, such as *zakat*, *waqf*, *mudarabah*, and *musharakah*, that can promote both financial inclusion and sustainable development (Iqbal & Mirakhor, 2012).

Despite the theoretical promise of Islamic microfinance, existing models confront structural and operational constraints that limit their effectiveness. Many Islamic microfinance institutions (IMFIs) continue to depend on collateral-based lending, thereby excluding the poorest and most marginalized (Alshammari et al., 2022; Dirie et al., 2024; Kunhibava et al., 2024; Thaidi et al., 2023). Meanwhile, Islamic social finance instruments such as *zakat* and *waqf*, which hold great potential as non-debt funding sources, remain marginal or disconnected from conventional microfinance operations (Bayram & Altarturi, 2020; Darajatun & Makhrus, 2025). A further limitation is the limited integration of environmental sustainability into microfinance design and execution, resulting in Islamic microfinance being loosely aligned with global climate and ecological agendas (Ben Jedidia & Ghroubi, 2024; Fodol & Aslan, 2025; Laldin & Djafri, 2021). Governance weaknesses and inconsistent *Shariah* oversight also plague specific contexts, reducing institutional credibility and the capacity to implement ethically grounded innovation (Alam & Miah, 2024).

These persistent problems not only constrain the practical impact of Islamic microfinance but also reveal areas where the academic literature remains insufficient. The absence of comprehensive models integrating zakat, waqf, fintech, and sustainability considerations into Islamic microfinance, along with limited empirical evidence connecting Maqasid al-Shariah to outcomes aligned with the UN Sustainable Development Goals (SDGs), is notable (Alamm et al., 2025; Franciosi, 2025).

Addressing these gaps is vital both theoretically and practically. Academically, it advances the literature on Islamic social finance, sustainable microfinance, and the intersection of *Shariah* ethics with environmental imperatives. Practically, it offers a blueprint for policymakers, institutions, and development organizations to operationalize inclusive and sustainable financing in fragile contexts. In the Palestinian setting, where microfinance has grown yet remains structurally constrained, the Palestine Monetary Authority has documented both the expansion of the sector and its continuing dependence on collateral-based lending, which limits access for the poorest households (Palestine Monetary Authority, 2019; 2025). Within this environment, this research seeks to propose a *Shariah*-compliant, sustainability-integrated model that aligns with *Maqasid al-Shariah* and contributes to the UN SDGs.

2.0 Literature Review

2.1 Conventional Microfinance and Its Limitations

Conventional microfinance emerged as a tool to extend financial services, primarily credit, to underserved populations who lack access to formal banking (Meki & Quinn, 2024). Its goals include poverty alleviation, entrepreneurship support, and financial inclusion. However, as practical experience and empirical studies have accumulated, several structural and operational limitations have become evident (Lahnech & Chami, 2025).

One major criticism within the conventional microfinance literature is the over-reliance on interest-based lending and relatively high interest rates. While microloans provide access, they may also burden borrowers with debt that becomes difficult to service, especially under unpredictable income flows (Wondirad, 2022). The sector is further challenged by over-indebtedness, a phenomenon in which households take multiple loans and become trapped in debt cycles (Okesina, 2025). In some contexts, borrowers end up in continuous repayment cycles that erode rather than improve their financial stability (Morduch, 2023).

Another structural limitation is the requirement of collateral or guarantees, which systematically excludes the poorest segments, i.e., those without assets or formal documentation. This exclusion undermines the fundamental mission of microfinance to reach marginalized populations. Even unsecured or group-lending models sometimes rely on peer pressure or social collateral, which has its own social burdens and risks (Labie & Morduch, 2022).

Microfinance institutions (MFIs) also face high operational and transaction costs, particularly when operating in rural or remote areas with weak infrastructure. These costs push MFIs to charge higher rates or limit outreach, creating trade-offs between sustainability and social impact (Tambo & Wamwayi, 2024). Some MFIs also drift from their social mission over time, a phenomenon known as 'mission drift,' where they focus more on profitability than on inclusion (Cozarenco & Szafarz, 2025).

Moreover, the environmental or ecological dimension is typically neglected. Conventional microfinance products often lack climate resilience or environmental risk assessments, rendering them vulnerable in regions exposed to climate change-related shocks. That omission reduces alignment with the imperatives of sustainable development (Alamm et al., 2025).

Finally, regulation, market competition, and institutional constraints can further weaken MFI performance. The regulatory environment in many countries is uneven or burdensome, requiring compliance that small MFIs may struggle with (Gavhumende, 2024). In many cases, MFIs must balance regulatory demands, financial sustainability, and social objectives, and often the conflict among these goals leads to compromised outcomes.

2.2 Islamic Microfinance: Principles and Practice

Islamic microfinance (IMF) is grounded in the ethical and legal framework of *Maqasid al-Shariah*, which emphasizes preserving religion (*din*), life (*nafs*), intellect (*'aql*), lineage (*nasl*), and wealth (*mal*) (al-Ghazali, 1997/1111). Its core distinguishing features are the prohibition of *riba* (interest) and *gharar* (excessive uncertainty), and the promotion of risk-sharing, asset-backed financing, and social justice (al-Sadr, 1969; 1981). Under these principles, financial instruments such as *mudarabah* (profit-sharing), *musharakah* (joint venture), *qard al-hasan* (benevolent loan), *ijarah* (leasing), and *murabahah* (cost-plus sale) are structured to align economic activity with ethical standards and social welfare objectives.

In practice, Islamic microfinance institutions (IMFIs) have emerged across Muslim-majority and non-majority contexts, offering microcredit, microleasing, microequity, and socially oriented products. A common feature is the aim to combine financial inclusion with social welfare, guided by Islamic values (Abdul-Majeed Alaro & Alalubosa, 2019; Altarturi et al., 2021). However, the practice is not without challenges. Many IMFIs still favor *murabahah* or *ijarah* contracts, which bear resemblance to conventional debt-based models in terms of risk transfer and profit structure. This reliance can limit the transformational justice intended by Islamic finance.

Empirical studies reveal varied success. For example, recent work in Indonesia indicates that IMFIs tend to align more strongly with some dimensions of *Maqasid al-Shariah* (e.g., *mal* and *nafs*) than others like *'aql* (Harahap, Risfandy, & Futri, 2023). This suggests that while IMFIs are adopting Islamic finance in principle, the full realization of this approach along all ethical dimensions remains uneven. Moreover, many IMFIs face trade-offs between social and financial goals. Maintaining financial sustainability often leads to conservative lending practices, which in turn limit outreach to marginalized populations. The tension between achieving *Shariah* compliance and ensuring institutional viability is a recurring theme in Islamic microfinance literature (Altarturi & Ajouz, 2021; Saad et al., 2025).

Recent literature emphasizes that integrating social-finance mechanisms, particularly *zakat* and *waqf*, into Islamic microfinance could restore its original redistributive and empowerment ethos (Haji-Othman et al., 2025; Mikail et al., 2024). Moreover, digital innovation and fintech-based systems now offer tools to enhance accountability and efficiency, potentially reconciling the goals of inclusivity, transparency, and financial resilience (Ascarya & Masrifah, 2023; Ascarya et al., 2023). These developments mark a shift from basic *Shariah* compliance toward a more holistic, *Maqasid*-driven paradigm of inclusive finance.

2.3 Islamic Social Finance Instruments and Regional Experiences

Islamic social finance (ISF) refers to financial instruments rooted in *Shariah* principles that aim to promote welfare, social justice, and equitable distribution of resources (Ahmed, 2021). These instruments differ from purely commercial Islamic finance products, as they are inherently altruistic or cooperative in nature, emphasizing the redistribution of wealth, charity, and risk-sharing. The key instruments include *zakat*, *waqf*, *qard al-hasan*, and risk-sharing contracts, each offering unique advantages and challenges in the context of microfinance.

Zakat is a mandatory form of almsgiving that serves both religious and socioeconomic purposes. By redistributing wealth from those with surplus to eligible recipients (*asnaf*), it mitigates poverty and supports social security. In many Muslim-majority countries, *zakat* institutions collect funds and disburse them in various forms; however, their integration with formal financial systems is often weak. Research shows that *zakat* funds are usually channeled as direct grants or consumptive support rather than productive investments that enhance capacity (Alshammari et al., 2021). Recent ISF scholarship calls for *zakat* to be mobilized more strategically, for example, by combining it with microenterprise funding (Kachkar & Alfares, 2022) in a way that allows recipients to graduate from aid to entrepreneurship. In Malaysia, initiatives under the Ekonomi MADANI framework demonstrate how *zakat* can be integrated with Islamic crowdfunding and *waqf* financing to support sustainable poverty alleviation (Haji-Othman et al., 2025).

Waqf (endowment) is a perpetual mechanism where assets (land, buildings, cash) are endowed so that their returns benefit social causes over time. In contemporary settings, cash *waqf* is increasingly used to provide liquidity for developmental projects. The sustainable nature of *waqf* makes it attractive for funding long-term social programs, including microfinance. However, many *waqf* funds remain underutilized due to governance, legal, and investment challenges (Fadhlurrahman, Darmansyah, & Citra, 2025). Studies in Indonesia and Malaysia demonstrate that experiments integrating *waqf* capital into financial products that fund microenterprises sustainably are feasible; however, scaling remains challenging (Ascarya, 2024; Listianaa & Masyitab, 2021).

Qard al-hasan is an interest-free (benevolent) loan intended to assist without a profit motive. It is especially suitable for bridging finance or small-scale credit to those who need it. In theory, *qard al-hasan* complements microfinance goals of inclusion and equity. Yet in practice, many institutions avoid large deployment of *qard al-hasan* due to high default risks and sustainability challenges. A recent model proposes a *qard al-hasan* crowdfunding framework, where donors and community members support interest-free credits, mitigating risk via diversification (Aderemi & Ishak, 2023; 2020).

Risk-sharing contracts lie at the heart of Islamic finance's distinctiveness. In *mudarabah*, one party provides capital, and the other provides effort; profits are shared, while losses are borne by the capital provider (unless negligence is proven). In *musharakah*, both partners share capital and risk. These contracts promote alignment of interests and discourage a one-sided burden of risk. Empirical evidence suggests that ISF instruments, when combined with risk-sharing mechanisms such as *mudarabah* or *musharakah*, improve institutional stability without harming performance (Alshammari & Altarturi, 2021). Yet, many IMFIs shy away from fully adopting these contracts due to complexity, monitoring costs, and perceived risk (Yustiardhi et al., 2020).

While each ISF instrument offers promise, real-world integration into microfinance systems faces several obstacles, including governance gaps, regulatory constraints, default risk, liquidity management, and a lack of synergy among instruments. Scholars advocate for hybrid models that integrate *zakat* and *waqf* capital with risk-sharing contracts and fintech applications to mitigate operational risk and enhance institutional resilience (Ishak et al., 2025; Yusof, 2025).

Regional experiences reinforce the feasibility of such integrations. Bangladesh, Indonesia, and Malaysia have pioneered ISF frameworks that merge *zakat*, *waqf*, and microenterprise financing through innovative use of technology (Aderemi & Ishak, 2023; Ascarya et al., 2023; Hassan et al., 2022; Ishak et al., 2025). Collectively, these regional experiences demonstrate the growing convergence of social finance, fintech, and microfinance within the Islamic paradigm. Hybrid models that mobilize *zakat* and *waqf* as foundational capital, deploy *qard al-hasan* or risk-sharing contracts for client financing, and employ fintech platforms for transparency and scalability represent the next frontier of ISF development. This synergy underpins the integrated model advanced in this study; mobilizing Islamic social capital through digital innovation to achieve *Maqasid al-Shariah*-aligned financial inclusion and sustainability.

2.4 Sustainability and SDGs in Microfinance

Sustainability in microfinance entails a triple-bottom-line approach, encompassing economic viability, social impact, and environmental stewardship. While conventional microfinance often emphasizes financial sustainability, its alignment with social and ecological dimensions has been limited.

Islamic sustainable finance has been proposed as a framework to tie *Shariah* principles explicitly to the UN Sustainable Development Goals (SDGs) (Dirie, Alam, & Maamor, 2024). Yet while conceptual links are strong, empirical implementation remains uneven. Franciosi (2025) and Harahap et al. (2023) show that many Islamic financial institutions adopt SDG branding without full operational integration. Similarly, in ASEAN contexts, Islamic banks increasingly report alignment with the SDGs but struggle to measure and embed impact beyond symbolic gestures.

Empirical evidence suggests that profit-and-loss sharing (PLS) instruments, such as *musharakah* and *mudarabah*, align more closely with SDG outcomes than non-PLS or charity-based modes (Saba, Khan, & Jawed, 2021). However, systematic reviews of IMFIs highlight that most studies address financial and social sustainability, while environmental sustainability is consistently neglected (Dirie et al., 2024).

Thus, while the alignment of Islamic microfinance with SDGs is widely acknowledged, practical mechanisms for embedding sustainability, particularly ecological resilience, remain underdeveloped.

2.5 Role of FinTech in Islamic Finance / Microfinance

Fintech has emerged as a transformative force in finance, reducing costs, enhancing transparency, and expanding access to financial services. Within Islamic finance, fintech is increasingly recognized as a tool to achieve both inclusion and *Shariah* compliance (Altarturi & Ajouz, 2021).

In microfinance, fintech applications, including mobile banking, digital wallets, peer-to-peer lending, and blockchain-based *zakat* platforms, enhance efficiency and accessibility (Ahmed, 2021; Hassan et al., 2022). Research on Islamic microfinance highlights the role of fintech in bridging social and commercial finance, facilitating more transparent *zakat*/*waqf* distribution, automating monitoring, and supporting blended finance models (Harun & Rahmat, 2025; Qadri & Ali, 2024).

Nonetheless, challenges remain. Infrastructure deficits, digital illiteracy, regulatory ambiguity, and the need for *Shariah* oversight constrain adoption (Alamm et al, 2025). Additionally, while fintech can reduce costs, its reliance on algorithmic decision-making raises questions about fairness, data privacy, and Islamic ethical integrity (Habib, 2025).

Thus, fintech represents both an enabler and a constraint. Its strategic use in Islamic microfinance could address structural inefficiencies and expand outreach, but only with strong governance, clear regulations, and robust ethical safeguards in place.

2.6 Identified Gaps Leading to Model Development

The literature reviewed demonstrates both opportunities and limitations. Conventional microfinance has reached scale but remains burdened by high costs, interest dependency, and exclusionary practices. Islamic microfinance offers an ethical alternative but has yet to fully realize its potential, as it relies heavily on debt-like instruments and underutilizes social finance tools. Sustainability and SDG alignment are widely discussed but weakly operationalized, and while fintech shows promise, empirical applications in Islamic microfinance remain scarce.

Taken together, these issues reveal critical gaps: the absence of integrated models that combine *zakat*, *waqf*, *qard al-hasan*, risk-sharing, and fintech; the lack of systematic incorporation of environmental sustainability; and the shortage of case-based evidence linking *Maqasid al-Shariah* to SDG outcomes in fragile contexts, such as Palestine. These gaps justify the development of the integrated model proposed in this study.

3.0 Methodology

This study adopts a qualitative exploratory research design to develop and refine an integrated Islamic microfinance model that combines *zakat*, *waqf*, risk-sharing contracts, and financial technology (fintech). A qualitative approach is appropriate because the research seeks to explore under-theorized relationships, capture expert insights, and conceptualize new frameworks rather than test predefined hypotheses (Creswell & Poth, 2024; Silverman, 2017). Exploratory qualitative designs are prevalent in Islamic finance and development studies, where phenomena are complex, context-specific, and often underaddressed in prior literature (Palinkas, et al., 2015; Yin, 2018).

The study is guided by an interpretivist paradigm, which emphasizes understanding meanings and interpretations held by actors within their socio-cultural contexts. Interpretivism is suitable here because Islamic finance is embedded in religious, ethical, and institutional frameworks that require contextual analysis beyond numerical generalization (Creswell & Creswell, 2018). Moreover, exploratory model-building benefits from interpretivist reasoning as it integrates multiple data sources to derive nuanced insights (Masdar et al., 2021).

Two complementary sources of evidence were used: (i) a systematic thematic review of literature, and (ii) semi-structured interviews with experts. Triangulating these data sources enhances both validity and richness of findings.

3.1 Systematic Literative Review

The first stage involved a systematic review of peer-reviewed literature published between 2020 and 2025, with a focus on journals indexed in Scopus. Scopus was selected as the sole database given its broad coverage of peer-reviewed literature in Islamic finance, economics, and development, as well as its indexing of high-impact journals in the field. Search queries combined keywords such as Islamic microfinance, *zakat*, *waqf*, *qard al-hasan*, risk-sharing, fintech, sustainable development, and SDGs.

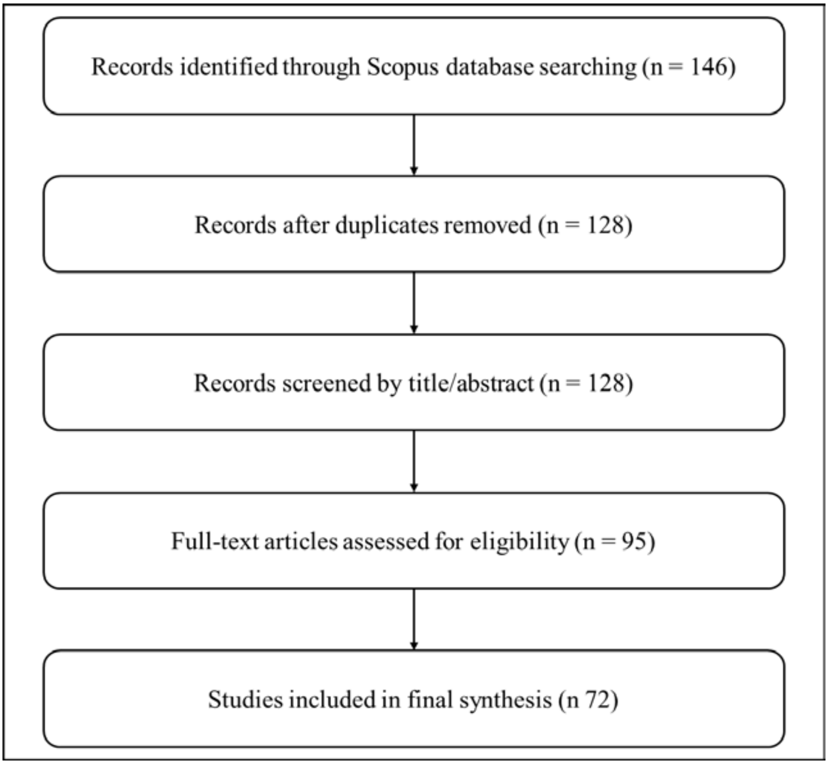
Table 1: Databases, Search Terms, and Screening Criteria

Element	**Description**
Database	Scopus (Elsevier)
Search Query	TITLE-ABS-KEY ((“Islamic finance” OR “Islamic microfinance” OR “Shariah-compliant finance”) AND (zaka* OR waqf OR “non-compliant income” OR “innovative finance” OR “sustainable finance”) AND (“sustainable model” OR “development model” OR “economic development” OR “empowerment” OR “poverty alleviation”))
Timeframe	2020–2025 (recent scholarship, post-SDG mainstreaming)
Language	English and Arabic only
Publication Types	Peer-reviewed journal articles and conference proceedings
Exclusion Criteria	Grey literature, non-refereed reports, book reviews, editorial notes, opinion pieces

Source: Adapted from Scopus database search records, export dated 20 May 2024

Only English- and Arabic-language peer-reviewed journal articles and conference proceedings were included. At the same time, grey literature, opinion pieces, and non-refereed publications were excluded. Screening was carried out in three steps: title/abstract review, full-text review, and final inclusion. A total of 72 articles were analyzed. Thematic coding was applied to identify recurring challenges, innovations, and theoretical gaps (Snyder, 2019). This process enabled the construction of an initial conceptual framework grounded in current academic debates and discussions. To enhance transparency, Table 1 summarizes the search parameters. At the same time, Figure 1 illustrates the screening and inclusion process that led to the final dataset of 72 articles.

Figure 1: PRISMA Flow Diagram of Screening and Inclusion Process



*S*ource: Adapted from study data following PRISMA guidelines (Page, et al., 2021)

3.2 Expert Interviews

The second stage involved ten semi-structured interviews with purposively selected participants, including *Shariah* scholars, policymakers, and legal experts in Islamic finance and microfinance. Purposive sampling was employed to ensure that participants possessed relevant expertise and experience, thereby providing in-depth insights (Palinkas et al., 2015). The interview sample consisted of four Shariah scholars, three policymakers from regulatory or development institutions, and three legal or operational experts involved in Islamic microfinance implementation. This composition ensured that both normative (*Shariah*) and applied (institutional) perspectives were adequately represented.

The interview guide covered four domains: (i) limitations of current Islamic microfinance institutions, (ii) integration of *zakat* and *waqf* into microfinance models, (iii) the role of fintech in enhancing efficiency and transparency, and (iv) governance and *Shariah* compliance challenges. A semi-structured format was adopted to allow flexibility for exploring emerging ideas while ensuring consistency across participants (Kallio et al., 2016).

All interviews were conducted between February and May 2025, recorded with prior consent, transcribed verbatim, and anonymized to maintain confidentiality. The sample size was guided by thematic saturation, as no new insights emerged after the tenth interview (Guest et al., 2020). Participants were identified through purposive and referral-based recruitment, ensuring a diverse representation of roles and institutional contexts.

To illustrate how expert insights were systematically linked to the refinement of the proposed model, Table 2 presents a mapping between interview domains and the corresponding model components. For transparency, a fuller version of the interview guide and coding scheme is provided in ‘Appendix A: Interview Guide and Model Mapping.’

Table 2: Interview-to-Model Mapping

Interview Domain	**Key Insights from Experts**	**Model Component Refined**
Limitations of current IMFIs	Over-reliance on collateral-based lending excludes the poorest due to a lack of risk-sharing contracts.	Shift toward *zakat*/*waqf* funding and risk-sharing contracts (*mudarabah*, *musharakah*)
Integration of *zakat* and *waqf*	*Zakat* is mostly consumptive; *waqf* is underutilized due to governance barriers.	Embedding *zakat* as working capital; deploying cash *waqf* for sustainability
Role of fintech	Enhances outreach, transparency, and cost efficiency; digital platforms for *zakat*/*waqf* distribution.	Incorporation of fintech for monitoring, crowdfunding, and mobile accessibility
Governance & *Shariah* oversight	Weak *Shariah* governance undermines credibility; there is a need for stronger monitoring.	Strong *Shariah* board oversight, governance mechanisms, and reporting standards

Source: Adapted from study data, following Miles et al. (2019).

3.3 Data Analysis and Trustworthiness

Data analysis followed Braun and Clarke's (2006) six-step thematic analysis framework, widely applied in qualitative finance and policy research: familiarization with data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. Both literature and interview data were coded inductively and deductively. NVivo 12 software was used to manage data, ensuring transparency and rigor in the coding process.

Triangulation of themes across data sources enhanced credibility, while member checking with selected interviewees ensured that interpretations accurately reflected expert perspectives (Birt et al., 2016).

To ensure research quality, this study adhered to Lincoln and Guba's (1985) criteria of trustworthiness: credibility, transferability, dependability, and confirmability. Credibility was enhanced through triangulation and member checking; transferability was supported by providing contextual detail about Palestine and developing economies; dependability was ensured by maintaining an audit trail of decisions; and confirmability was pursued by reflexive memoing to mitigate researcher bias.

Ethical approval was secured through adherence to standard protocols: informed consent, voluntary participation, confidentiality, and secure data storage. These procedures align with best practices in qualitative Islamic finance research (Given, 2016).

The combination of literature synthesis and expert validation makes this methodology particularly suited to the study's objectives. The systematic literature review ensured that the proposed model is anchored in the most recent theoretical and empirical scholarship, while expert interviews provided practical and contextual insights to refine and validate the model. This dual approach strengthens both academic rigor and policy relevance, ensuring that the resulting model is theoretically robust, *Shariah*-compliant, and adaptable to real-world application in fragile contexts such as Palestine.

4.0 Model Development and Discussion

The integrated Islamic microfinance model proposed in this study was developed through a two-stage qualitative synthesis that combined insights from the systematic literature review and ten expert interviews. The approach followed a thematic aggregation method in which recurring ideas from the literature were refined and validated through stakeholder perspectives. This section presents the model's conceptual evolution, its key dimensions, and its supporting mechanisms that ensure both *Shariah* compliance and sustainability alignment.

4.1 From Literature Themes to Conceptual Dimensions

The conceptual foundation of the proposed model emerged through a thematic synthesis of recent literature and ten in-depth expert interviews. The literature emphasized four recurrent themes in contemporary Islamic microfinance: the social finance foundations of *zakat* and *waqf*, risk-sharing contracts, fintech-enabled delivery, and governance and *Shariah* oversight. Expert narratives brought these concepts to life, highlighting both the practical challenges and the transformative potential of these concepts in fragile socioeconomic settings.

One *Shariah* scholar emphasized that "*Islamic finance cannot fulfil its social mandate if zakat and waqf remain confined to charitable distribution; they must be integrated into productive ventures that generate continuous value*." This view echoed across several interviews, with practitioners noting that *zakat* and *waqf*, when mobilized through structured micro-enterprise programs, could bridge the financing gap for the most vulnerable. A policy advisor explained that "*many microfinance institutions rely on debt-like structures; zakat and waqf could change that dynamic by offering equity-like, revolving capital without interest*." These insights reinforced the consensus in the literature that social finance instruments are not peripheral add-ons, but rather central mechanisms for equitable inclusion.

On risk-sharing, participants consistently stressed the ethical and developmental advantages of partnership-based contracts. A microfinance practitioner noted, "*when clients become partners rather than debtors, they take ownership of outcomes, the relationship becomes cooperative, not extractive*." This aligns with the *Maqasid al-Shariah* principle of justice and mutual benefit, confirming the need for *mudarabah* and *musharakah* as key financial instruments. However, participants also acknowledged operational barriers, such as limited institutional capacity and weak monitoring frameworks, which require structural reform before risk-sharing can scale effectively.

The theme of fintech integration emerged as one of the strongest innovations identified in both literature and interviews. Experts unanimously viewed digitalization as the enabler of transparency, efficiency, and inclusion. One fintech consultant explained that "*digital zakat and waqf platforms can track every dollar, from donor to beneficiary, building trust and attracting younger contributors*." Several participants emphasized the importance of mobile accessibility for rural and refugee communities, proposing blockchain-enabled waqf registries and mobile micro-savings apps to ensure transparency and accountability. Such insights underscored the transformative role of technology in embedding ethical and operational transparency within Islamic finance.

Finally, governance and *Shariah* oversight were recognized as critical pillars of institutional integrity. A regulator warned that "*weak governance undermines public confidence and leads to mission drift; Islamic microfinance must institutionalize Shariah boards and transparent reporting mechanisms*." Others emphasized the importance of ethical leadership and professional training, particularly in fragile economies where institutional weaknesses can compromise even well-designed models. These narratives align with prior studies that link governance quality to both social performance and financial resilience.

To contextualize these findings within broader scholarly and practical discourse, the recurring interview themes were compared with dominant patterns emerging from the systematic literature review. This triangulation reinforces the robustness of the model's conceptual foundations by demonstrating where expert perspectives and academic evidence converge. Table 3 summarizes the frequency and alignment of the key components identified across both sources, illustrating how practice-based insights complement theoretical advancements in Islamic microfinance.

Together, these themes shaped the foundation of the integrated Islamic microfinance model; anchored in *zakat* and *waqf* for equity-based funding, driven by risk-sharing principles, enabled by fintech, and safeguarded through governance and *Shariah* oversight.

In the Palestinian context, interviewees emphasized that this model holds particular promise. One local development expert observed that "*our institutions face liquidity and trust challenges; mobilizing zakat and waqf through digital channels could unlock dormant capital while ensuring transparency*." Similarly, a microfinance manager stated that "*clients in Gaza and the West Bank respond better to partnership-based financing that preserves dignity*." The integration of social finance, technology, and governance thus offers a realistic pathway to building resilience, promoting social justice, and fostering inclusive growth within a fragile economic environment.

Table 3: Evidence Map: Key Components from Literature and Expert Interviews

Component	Findings from Literature Review	Findings from Expert Interviews	Interpretation
Zakat integration	Studies, such as Hassan et al. (2022) and Kachkar and Alfares (2022), highlight *zakat*'s potential to shift from consumptive to productive use through microenterprise financing. Most works emphasize its role in poverty alleviation and capital formation.	All interviewees underscored *zakat*'s practical value as a revolving working capital mechanism for micro-entrepreneurs, noting that institutional collaboration is key to implementation.	Zakat provides a redistributive base that can be structured for productive, sustainable microfinance.
Waqf utilization	Literature including Ascarya (2024) and Fadhlurrahman et al. (2025) identifies cash *waqf* as a renewable form of social capital with sustainability potential but limited by governance inefficiencies.	Experts unanimously stressed the need for improved governance and digital monitoring of *waqf* projects, especially for cash *waqf* initiatives.	Waqf represents perpetual social capital; governance and digital accountability determine its success.
Risk-sharing contracts (*Mudarabah* / *musharakah*)	Empirical studies (Yustiardhi et al., 2020) demonstrate that partnership-based contracts embody ethical financing principles but are operationally underutilized in microfinance.	Eight experts endorsed integrating *mudarabah* and *musharakah* with *zakat* and *waqf* capital to reduce reliance on collateralized lending.	True risk-sharing enhances inclusion and aligns finance with Shariah ethics, but requires stronger monitoring capacity.
Fintech integration	Recent studies (Harun & Rahmat, 2025; Ascarya et al., 2023) view fintech as a transformative enabler for transparency and outreach in Islamic finance.	Nine interviewees emphasized fintech's role in ensuring traceability, donor confidence, and accessibility for small clients, particularly through mobile platforms.	Fintech underpins transparency, efficiency, and scalability in integrated ISF systems.
Governance & *Shariah* oversight	Literature (Alam & Miah, 2024; Dirie et al., 2024) highlights governance and *Shariah* supervision as critical for institutional credibility.	Experts acknowledged shortages in qualified *Shariah* auditors and proposed unified oversight frameworks.	Compliance and legitimacy hinge on ethical, well-resourced governance systems.
Environmental sustainability	Studies such as Franciosi (2025) and Fodol and Aslan (2025) explore linkages between Islamic finance and green entrepreneurship, but integration into microfinance remains limited.	Six experts linked environmental awareness with *waqf* land development and renewable energy projects, though institutional adoption remains rare.	Integrating ecological stewardship can distinguish IMFIs and align with *Maqasid al-Shariah*.
Social inclusion	Works (Altarturi & Hassouneh, 2024; Thaidi et al., 2023) highlight the inclusion of women and youth but often treat it as secondary to financial performance.	Seven experts emphasized inclusion as a moral and strategic priority, particularly in post-conflict contexts like Palestine.	Social inclusion should be framed as both an ethical imperative and a sustainability driver.

Source: Author's thematic synthesis analysis based on Scopus-indexed Islamic microfinance literature (2020–2025) and expert interviews (2025).

4.2 Core and Supporting Dimensions of the Model

The integrated Islamic microfinance model that emerged from this study is structured around three core dimensions: Social Finance Instruments, Risk-Sharing Mechanisms, and Fintech Integration, supported by four enabling dimensions: *Shariah* Governance, Institutional Capacity, Environmental Sustainability, and Social Capital Empowerment. Together, these seven dimensions operationalize the *Maqasid al-Shariah* objectives of justice, equity, and social welfare while aligning with the United Nations Sustainable Development Goals (SDGs). The conceptual structure evolved through the iterative interplay between theoretical insights and expert reflections.

1) *Social Finance Instruments: Zakat and Waqf as Foundational Capital*

Across all interviews, experts unanimously emphasized that Islamic microfinance must shift from reliance on commercial debt to the mobilization of *zakat* and *waqf* as revolving, non-debt-based capital. One *Shariah* scholar noted that "*zakat is not merely an act of charity but an instrument of redistribution; when managed institutionally, it can fund micro-enterprises sustainably*." Another policy expert added that "*the challenge is not in the principle but in the process; zakat and waqf need financial structuring and digital governance to be effective*."

This finding reinforces recent literature advocating the institutionalization of productive *zakat* and cash *waqf* as mechanisms for micro-entrepreneurship (Bayram & Altarturi, 2020; Darajatun & Makhrus, 2025). The interviews confirmed that, when properly integrated, these instruments can supply equity-like capital that empowers marginalized groups while maintaining ethical integrity.

2) *Risk-Sharing Mechanisms: Partnership-Based Financing*

The second dimension centers on the operationalization of *mudarabah* and *musharakah* contracts as vehicles for risk-sharing and profit participation. A microfinance practitioner explained that "*risk-sharing is not only a financial principle, it is a moral one; it embodies the Qur'anic spirit of fairness and cooperation*." Yet, several participants acknowledged implementation constraints, including a lack of technical expertise and weak monitoring tools. These insights align with studies that highlight the institutional gap between theoretical advocacy of risk-sharing and its limited practice in microfinance settings (Kunhibava et al., 2024).

The integration of risk-sharing mechanisms within the proposed model ensures that clients are treated as partners rather than borrowers, promoting ownership, empowerment, and long-term sustainability.

3) Fintech Integration: Digital Transparency and Efficiency

Fintech emerged as both a technological and ethical enabler in the proposed model. Nine out of ten interviewees identified digital platforms as key to improving outreach, transparency, and trust. A fintech consultant remarked: "*Digital zakat and waqf management can trace every contribution; this is how we restore faith in institutions*." Participants proposed mobile apps for *zakat* contribution, blockchain for *waqf* asset management, and AI-based credit assessments that align with Islamic ethical criteria.

This theme resonates strongly with the current literature, which highlights the growing convergence between Islamic finance and fintech innovation (Rabbani et al., 2025; Zaid et al., 2025). In the model, fintech serves as the operational backbone, connecting social finance sources to micro-entrepreneurs and ensuring traceability and scalability.

4) Supporting Dimensions: Governance, Capacity, Sustainability, and Social Capital

Beyond these core mechanisms, the model is reinforced by four cross-cutting, enabling dimensions that sustain ethical, institutional, and developmental integrity.

- *Shariah* Governance. Experts emphasized the importance of Shariah oversight in maintaining institutional credibility. One regulator cautioned that "*without credible Shariah boards and transparent audits, Islamic microfinance risks becoming Islamic in name only*." This dimension therefore, embeds continuous *Shariah* auditing, ethical reporting, and stakeholder accountability.
- Institutional Capacity. Several practitioners highlighted human resource limitations as a recurring challenge. As one interviewee

stated, "*We need trained staff who understand both Shariah and sustainability; otherwise, the model remains theoretical*." Training, performance management, and governance mechanisms were identified as core enablers of operational success.

- Environmental Sustainability. Over half of the participants acknowledged that Islamic finance must incorporate ecological stewardship as part of its moral framework. One academic expert observed: "*Linking waqf to renewable energy projects could make Islamic microfinance not only ethical but green*." This aligns with the Qur'anic notion of *khalifah* (stewardship) and SDG 13 on climate action.
- Social Capital Empowerment. Interviewees also emphasized the role of community solidarity and women's participation. A development practitioner stated, "*When women and youth are trusted with capital, repayment improves and communities grow together*." Social networks and cooperative entrepreneurship were thus embedded as structural components of the model.

In summary, the interplay of these dimensions positions Islamic microfinance not merely as a funding tool but as an ethical system of empowerment. Experts agreed that the success of such a model depends on institutionalizing the moral economy of Islam, where finance serves human dignity and environmental balance. In fragile contexts like Palestine, this integration could transform fragmented social finance efforts into a coherent, self-sustaining ecosystem.

4.3 Schematic Representation of the Model

To visualize the interconnections among the model's dimensions, Figure 2 presents a schematic representation of the Integrated Islamic Microfinance Model for Sustainable Development. The figure illustrates how *zakat* and cash *waqf* operate as the foundational social finance base, which flows into risk-sharing mechanisms (*mudarabah* and *musharakah*) that empower micro-entrepreneurs, eliminating their reliance on debt-based instruments. These flows are enabled and mediated through fintech applications, ensuring transparency, traceability, and digital inclusivity.

Surrounding the core mechanisms are four supporting dimensions: *Shariah* governance, institutional capacity, environmental sustainability, and social capital empowerment, which function as the model's structural pillars. Together, these create a dynamic system that balances spiritual, social, and economic objectives under the framework of *Maqasid al-Shariah*.

Figure 2 is deliberately circular to reflect the cyclical nature of Islamic finance, where wealth circulation, community empowerment, and ethical accountability reinforce one another. This design also symbolizes *barakah* (continuous blessing), emphasizing that Islamic finance, when structured correctly, regenerates social welfare and ecological balance rather than depleting them.

Figure 2: Integrated Islamic Microfinance Model for Sustainable Development

Source: Generated using AI-assisted design under author supervision, based on the author's conceptual synthesis of the literature review and expert interviews (2025).

In this configuration:

- *Zakat* and *waqf* feed directly into *mudarabah* and *musharakah* partnerships.

- Fintech ensures the secure and transparent management of funds, as well as the monitoring of micro-enterprises.
- Governance structures maintain compliance and ethical integrity through continuous oversight.
- Institutional and social empowerment ensure sustainability and scalability.
- Environmental considerations embed stewardship and resource consciousness into financing decisions.

This structure embodies the dual aspiration of Islamic microfinance: serving the immediate needs of the community while fostering long-term systemic transformation toward inclusive and sustainable development.

4.4 Model Validation and Refinement

The validation of the proposed Integrated Islamic Microfinance Model was achieved through ten semi-structured expert interviews, which represented a diverse range of stakeholders, including *Shariah* scholars, policymakers, microfinance practitioners, and academics in Islamic economics. The interviews were not intended to quantify responses but to interpretively validate and refine the conceptual model that emerged from the literature synthesis. Each expert provided critical reflections that helped enhance the model's operational realism, ethical grounding, and contextual adaptability.

Several participants emphasized the transformational potential of *zakat* and *waqf* when used productively rather than consumptively. One *Shariah* scholar observed that "*zakat should not stop at feeding the hungry for a day; it must enable them to earn their livelihood with dignity*." Another practitioner added that combining *zakat* and cash *waqf* into a revolving fund "*creates perpetual benefit and independence from donor fatigue*." This insight directly informed the model's design, which channels *zakat* into micro-enterprise start-up grants while deploying cash *waqf* as a sustainable investment source generating recurrent income for microfinance operations.

Experts were united in arguing that debt-like *murabaḥah* structures dominate current IMFIs and erode the ethical distinction of Islamic finance. One participant, a microfinance manager, explained: "*If risk is not shared, we simply replicate conventional loans in Islamic* *clothing*." Consequently, the model places *musharakah* and *muḍarabah* at its core, ensuring that both financier and client share risks and rewards. This refinement aligns the model with *the Maqaṣid al-Shariah objectives of justice and equitable wealth distribu*tion, while responding to critiques of commercialization in Islamic microfinance.

Fintech emerged as a central enabler across all interviews. Policymakers and technology experts agreed that digital platforms enhance transparency, governance, and outreach, particularly in fragile contexts like Palestine. One interviewee noted: "*Fintech can rebuild trust by showing donors exactly where every dollar of zakat or waqf goes*." Another emphasized that digital inclusion "*opens the door for women and youth entrepreneurs in remote areas*." As a result, blockchain-based tracking and mobile-wallet systems were added to the model to strengthen efficiency, inclusion, and auditability.

Shariah oversight and institutional governance were consistently viewed as the backbone of credibility. Scholars highlighted that fragmented or symbolic *Shariah* supervision undermines public confidence. As one expert remarked: "*Without credible oversight, even the best model becomes vulnerable to misuse*." The revised model, therefore, embeds multi-layered governance, local *Shariah* boards, external audits, and transparent reporting to safeguard compliance and accountability.

Nearly half the experts linked Islamic finance to environmental stewardship, urging IMFIs to operationalize *khilafah* (trusteeship of the Earth). One academic stated: "*Sustainability is not an add-on; it is an Islamic imperative*." Accordingly, the final model incorporates green micro-projects, renewable energy financing, and eco-entrepreneurship criteria as part of the project selection process.

In the Palestinian context, where access to finance is constrained by instability and collateral requirements, experts stressed the feasibility of the model's non-collateralized, community-based structure. One policy advisor observed: "*This approach fits Palestine because it builds on solidarity and trust networks rather than material guarantees*." The emphasis on fintech transparency and social solidarity thus positions the model as both locally viable and globally replicable.

5.0 Conclusion and Recommendations

The development of the Integrated Islamic Microfinance Model for Sustainable Development represents both a theoretical and practical advancement in aligning Islamic social finance with global sustainability imperatives. Synthesizing insights from the systematic literature review and ten expert interviews, this study demonstrates that *zakat*, *waqf*, and risk-sharing mechanisms, when strategically integrated and technologically enabled, can form the foundation for inclusive and ethical microfinance systems that advance *Maqasid al-Shariah* and the Sustainable Development Goals (SDGs).

5.1 Theoretical Contributions

This study extends existing theory in Islamic finance by conceptualizing a multidimensional model that embeds social finance instruments, risk-sharing ethics, and digital transformation within a unified framework. Previous research has often examined these elements separately: *zakat* as a redistributive mechanism, *waqf* as an endowment tool, and fintech as an operational enhancer. The present model integrates them into a coherent system governed by *Shariah*, illustrating how these instruments collectively deliver socioeconomic justice and sustainability.

Furthermore, the findings reinforce the relevance of *Maqasid al-Shariah* as a normative framework for modern financial design. By structuring financial inclusion around equity, transparency, and stewardship, the model reasserts the Islamic economic paradigm as one that prioritizes holistic human well-being rather than mere profit maximization. In this sense, it bridges classical Islamic ethics with contemporary sustainability discourse (cf. al-Ghazali, 1111; al-Sadr, 1969; 1981; Laldin & Djafri, 2021).

5.2 Practical and Policy Implications

Practically, the model provides a blueprint for policymakers, Islamic microfinance institutions (IMFIs), and development agencies operating in fragile or resource-constrained contexts. The integration of *zakat* and *waqf* into productive micro-enterprises offers a viable route to reduce dependency on debt-based lending. Risk-sharing contracts (*mudarabah* and *musharakah*) empower entrepreneurs by aligning incentives and distributing financial risk equitably. Fintech applications, including digital wallets and blockchain-based *zakat* tracing, enhance transparency and accountability, key concerns highlighted by interviewed scholars and practitioners.

In the Palestinian context, the model holds particular relevance. Experts have noted that, although microfinance has expanded in recent years, it remains dominated by collateralized lending and has limited outreach to the poorest segments of the population. The proposed framework offers an alternative trajectory by mobilizing dormant social capital and religiously inspired giving into structured, investment-based financing. Through digital integration, institutions can increase financial inclusion among marginalized groups, especially women and youth, while ensuring *Shariah* compliance and operational sustainability.

5.3 Policy and Institutional Recommendations

For effective implementation, several enabling conditions are essential:

1. Regulatory support from central banks and monetary authorities to institutionalize *zakat* and *waqf* integration into licensed IMFIs.
2. Capacity building for *Shariah* boards and management teams to ensure consistent ethical oversight.
3. Public-private partnerships to foster fintech innovation tailored to Islamic finance, enabling real-time monitoring and data-driven governance.
4. Green and social investment incentives encourage micro-entrepreneurs to engage in environmentally sustainable ventures.

These policy measures can help embed the proposed model within national financial inclusion strategies, contributing simultaneously to poverty reduction, gender equity, and environmental stewardship.

5.4 Limitations and Future Research

While the model offers a comprehensive qualitative framework, its scope is limited by the number of interviews and the absence of large-scale empirical testing. Future research should apply mixed-methods or quantitative validation to examine the model's operational effectiveness and socioeconomic impact. Comparative studies across Muslim-majority and minority settings would also enrich the understanding of contextual adaptability. Moreover, the dynamic role of emerging technologies, such as artificial intelligence in *zakat* allocation or blockchain-based *waqf* management, remains a promising area for exploration.

5.5 Summary and Final Remarks

The findings from thematic analysis and expert interviews highlight the practical relevance of the proposed Integrated Islamic Microfinance Model, especially in the Palestinian context, where collateral-based lending restricts inclusion. This study reaffirms that Islamic microfinance, when grounded in *zakat*, *waqf*, and risk-sharing ethics and supported by digital innovation, can serve as a transformative instrument for sustainable development. The proposed model encapsulates the essence of *Maqasid al-Shariah*, protection of faith, life, intellect, progeny, and wealth, while directly contributing to the SDGs' economic, social, and environmental pillars. By merging moral imperatives with modern financial tools, the framework advances both the authenticity and relevance of Islamic finance in addressing contemporary global challenges.

Appendix A: Interview Guide and Model Mapping

The following semi-structured interview guide was designed to elicit expert perspectives on the limitations of current Islamic microfinance practices and the feasibility of an integrated model that combines *zakat*, *waqf*, risk-sharing, and fintech. The questions are grouped into thematic domains, with an explanation of how each set informed the proposed model.

Section 1: Background and Context

1. Can you describe your experience with Islamic finance and microfinance, either as a scholar, policymaker, or practitioner?
2. How do you perceive the role of Islamic microfinance in addressing poverty and financial exclusion compared to conventional microfinance?

Model Link: Helped situate responses within participants' expertise and identified baseline perceptions about IMFIs compared to conventional models — framing the justification for innovation.

Section 2: Current Challenges in Islamic Microfinance

1. In your view, what are the main limitations of current Islamic microfinance institutions (IMFIs)?
2. How do collateral requirements affect the ability of IMFIs to reach the poorest and most marginalized groups?
3. To what extent do you see governance and *Shariah* compliance challenges limiting the credibility or effectiveness of IMFIs?

Model Link: Informed the diagnosis of structural weaknesses — particularly exclusion caused by collateral dependence and governance deficits — which shaped the model's focus on *zakat*/*waqf* capital and enhanced *Shariah* oversight.

Section 3: Integration of Social Finance Instruments

1. What potential do you see for *zakat* and *waqf* to serve as sustainable funding sources for microfinance?
2. What are the main barriers to integrating these instruments into the operations of IMFIs?

Model Link: The model's financing foundation is directly shaped, with zakat funds supporting immediate needs and cash waqf generating long-term, sustainable capital. Barriers identified (legal, institutional, and awareness) informed the governance pillar.

Section 4: Sustainability and SDGs

1. How important is it to embed environmental sustainability into Islamic microfinance products and practices?
2. What are practical ways to align Islamic microfinance with the UN Sustainable Development Goals (SDGs)?

Model Link: Anchored the sustainability dimension of the model, ensuring it incorporates ecological considerations, not only economic and social ones. Provided practical pathways (e.g., green microfinance, eco-friendly enterprises).

Section 5: Fintech and Innovation

1. In your opinion, how can fintech (e.g., blockchain, digital wallets, crowdfunding) enhance efficiency, outreach, and transparency in Islamic microfinance?
2. What ethical or regulatory concerns arise from the use of fintech in Islamic contexts?

Model Link: Informed the operational mechanism of the model — showing how fintech can lower transaction costs, expand outreach, and improve transparency in *zakat*/*waqf* distribution. Ethical/regulatory concerns shaped the risk management element of the model.

Section 6: Towards an Integrated Model

1. Based on your expertise, what would a more effective model of Islamic microfinance look like?
2. How might *zakat*, *waqf*, and risk-sharing contracts be combined to achieve financial, social, and environmental sustainability?
3. What governance and *Shariah* oversight mechanisms are necessary to ensure such a model is both credible and practical?

Model Link: These questions provided the core design features of the proposed model — validating the integration of *zakat*/*waqf* as capital, risk-sharing as financing, fintech as delivery, and governance/*Shariah* as the ethical foundation.

Section 7: Final Reflections

1. What recommendations would you give policymakers or institutions seeking to reform or redesign Islamic microfinance?
2. Are there any successful examples or case studies that could inform model development in fragile contexts, such as Palestine?

Model Link: Strengthened the policy implications and contextual adaptation of the model, particularly its relevance to fragile contexts like Palestine.

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