

Exploring Islamic Social Finance Practices in Somaliland: Issues and Prospects

Yasin Ahmed Sulub*

IIUM Institute of Islamic Banking and Finance, International Islamic University Malaysia, Kuala Lumpur, Malaysia

Abstract

Islamic Social Finance (ISF) is a sector consisting of philanthropic instruments such as, among others, obligatory charity or almsgiving (*Zakat*), Islamic endowment (*Waqf*), voluntary charity (*Sadaqah*), and Islamic microfinance. The primary goal of ISF is to alleviate poverty and improve the socio-economic conditions of society. The current study employed the content analysis technique to explore ISF practices, namely *zakat* and *waqf*, in Somaliland, a country with high poverty rates. Findings suggest that *zakat* and *waqf* are currently not utilized effectively, thus not distributing to poverty alleviation. Some of the issues facing the development of *zakat* include a lack of a legal framework. On the other hand, although *waqf* is utilized for religious and educational purposes, it is not used for poverty mitigation and hence, not exploited fully. Despite the vast issues facing their development, *zakat* and *waqf* have the potential to grow and address the extensive poverty in the country. The conclusions of this study are beneficial to the regulators and researchers.

Keywords: Islamic social finance, Islamic philanthropy, *zakat*, *waqf*, poverty alleviation, Somaliland

1. INTRODUCTION

Islamic Social Finance (ISF) is defined as a sector comprising traditional Islamic institutions based on philanthropy, i.e., *Zakat* (obligatory charity/almsgiving/levy on wealth), *Sadaqah* (voluntary charity), *Waqf* (Islamic endowment); those based on cooperation, e.g., *Qard* (interest-free loan) and *Kafalah* (guarantee); and the contemporary Islamic microfinance institutions (IRTI, 2017). The main objective of ISF is to meet the needs of the poor and to make a dent in poverty (IRTI, 2017; IRTI, 2020). According to Lalani (2019), the principles behind ISF are economic justice, shared prosperity, and inclusive participation. These principles come from the values of Islamic philanthropy, which include standard giving practices to meet the needs of the poor in society. Notably, the overall aim of *Shari'ah* (Islamic law) is to promote welfare which is achieved by promoting necessities or essentials that entail the basic elements of a good life and protecting them constitutes the objectives of *Shari'ah* (*Maqasid Al-Shari'ah*) (Ahmed, 2011).

ISF instruments have been vital components in Muslim societies. They have been used to help the poor and needy individuals in the community through wealth redistribution to achieve socio-economic justice and development. Such instruments are categorized as obligatory and non-obligatory in terms of their payment. *Zakat*, a levy on wealth when it reaches a threshold known as *nisab* (i.e., a minimum amount of wealth so that *zakat* can be imposed), must be paid by Muslims. Two types of *zakat* that Muslims must pay are *Zakat al-Mal* (*zakat* paid yearly on wealth when it reaches *nisab*) and *Zakat al-Fitr* (*zakat* paid yearly, normally in the form of food items, during or at the end of the month of *Ramadan*). The *muzakki* (payer) of *zakat* is a wealthy individual who holds *zakat*-able items at a certain amount for a certain time and is given to eight certain recipient categories (Abduh, 2019). These recipients are prescribed in the holy *Qur'an* and are determined by Allah SWT; they are classified into eight groups of people (*asnaf*), namely the poor, the needy, *zakat* administrators, non-Muslims who embraced

*Corresponding author.
E-mail: sulub.yahmed@gmail.com

Islam, those in bondage, the debt-ridden, in the cause of Allah, and the wayfarer or those who are stranded or traveling with few resources. *Zakat*-able items include goods and merchandise, agricultural products, livestock, gold, silver, buried precious metals and minerals, unexpended salary/wage for a whole year, savings in banks, and investments (see Abduh, 2019). However, *zakat* is not levied on income that is used for consumption and items of wealth that are for personal and family use, as well as wealth that is categorized as the means of production or capital goods (World Bank & Islamic Development Bank Group, 2016). The Islamic Development Bank estimates that the potential of *zakat* is estimated to be as much as USD 1 trillion globally (Lalani, 2019).

In contrast, all the other ISF instruments are done on a voluntary basis. *Waqf* is also another important instrument. *Waqf* (Plural *Awqaf*) literally means to hold, confine, or prohibit something or cause it to stand still. Technically, the definition of *waqf* is to release the ownership of a dedicated property (*Mawquf*) from the donor (*Waqif*) for the sake of Allah SWT so that the benefits and incomes generated from the *mawquf* are only available for religious and humanity purposes (Abduh, 2019). *Waqf* is a form of charity that can be characterized as *sadaqah jariyah* (ongoing charity) and can be in the form of endowed public buildings, mosques, accommodation for travellers, a well, canal (Ahmed, 2004: 28), educational institutions, libraries, hospitals, etc. (Shirazi, 2014) and is administered by a *Mutawalli* or *Nazir* (manager) (Edriyanti et al., 2021). From the economic perspective, *waqf* refers to the investment of funds in creative properties that provide usufruct or revenues for future consumption by beneficiaries (Pirasteh & Abdolmaleki, 2007). Regarding the potential of global *waqf* resources, a World Bank and Islamic Development Bank Group report mentions that the annual *waqf* potential is approaching USD 500 billion (Abduh, 2019).

Another crucial donation based ISF instrument is *sadaqah* which is a charitable act that involves paying an amount voluntarily to help the needy and is religiously encouraged (Zain & Ali, 2017). Additionally, Islamic microfinance is another vital instrument that can be utilized as a mechanism both to target wealth creation and to offer solutions to raising the living standards of the poor (Malim, 2011). Islamic microfinance institutions provide funding for micro-entrepreneurs to operate micro-enterprises without charging *riba* (interest). Such institutions are essential for poverty reduction, financial inclusion, and economic growth through the economic activities of these micro-enterprises.

As mentioned earlier, the primary purpose of ISF is to alleviate poverty and address socio-economic issues. In the context of this study, the potential of ISF in Somaliland can be enormous. Somaliland, a Sub-Saharan Muslim nation located in the Horn of Africa, is, according to the World Bank, one of the poorest countries in the world, with high unemployment and high inequality (World Bank, 2015). Somaliland is a low-income country with a gross domestic product (GDP) per capita of USD 348, thus ranking it the 4th lowest in the world, only ahead of Burundi, DR Congo, and Malawi, with More than 1 in 4 people in urban Somaliland and more than 1 in 3 people in rural Somaliland living in poverty (World Bank, 2015). As one of the poorest countries in the world, its poverty rates are higher, and human development indicators are lower than other least-developed countries in the region (MoNPD, 2017). Meanwhile, the economic shutdown resulting from the emergence of the Covid-19 pandemic in December 2019 has inversely affected the country's economy and increased unemployment (Mohamed, 2021).

In view of this situation, this study seeks to explore the current practices of ISF, namely *zakat* and *waqf*, and examine the implications of such practices on poverty alleviation in Somaliland. Moreover, Issues that are facing the development of ISF are assessed in this study. To the researcher's knowledge, no previous research has investigated ISF practices in the country. The remainder of the paper is organized as follows. Section 2 introduces the previous studies, while section 3 provides the research method. Section 4 presents the findings and discussion. Finally, section 5 sets forth the conclusion and recommendations.

2. LITERATURE REVIEW

Zakat and *sadaqah* have been instrumental in addressing social issues such as reducing poverty and hunger, promoting well-being, helping the poor and orphans, paying hospital bills of the poor, paying tuition fees of needy students, helping the debt-burdened, empowering the unemployed, etc. (Odeduntan & Oni, 2016). Similarly, *waqf* has been used for the welfare of society and has been an important pillar in every conceivable enterprise of social benefits, such as mosques, universities, schools, hospitals, orphanages, houses for the poor, wells, public infrastructure, cemeteries, libraries, books, and animal welfare, etc. (Shirazi, 2014; Odeduntan & Oni, 2016). Notably, *waqf* is useful in all aspects, including education, access to finance to facilitate entrepreneurial innovation, health care, water, sanitation, and many more (see Khan, 2007). On the other hand, Islamic microfinance is proven to be an effective tool in, among others, poverty alleviation, improving income levels, and growth of businesses (see, e.g., Rokhman, 2013; Gumel et al., 2014; Alkhan & Hassan, 2021).

More recently, a multitude of studies assessed the role of ISF during the Covid-19 pandemic. These studies show that ISF instruments such as *zakat*, *waqf*, and charitable spending were effective in mitigating the negative impact of the pandemic (see, e.g., Gwadabe & Rahman, 2020; AbdulKareem et al., 2022). Others examined the role of ISF in achieving Sustainable Development Goals (SDGs) (e.g., Abduh, 2019; Razak et al., 2020).

Muhammad (2019) scrutinized the *zakat* system in seven high-income Islamic countries, namely Bahrain, Brunei Darussalam, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, using the content analysis technique. The author concludes that these countries have different practices of *zakat* in terms of governance, collection, distribution, use of modern technology, and transparency. These countries have established a centralized *zakat* system which the government manages, especially by the Ministry of Islamic Affairs, except for Kuwait and Saudi Arabia. In Kuwait, *zakat* is mutually managed by the Ministry of *Waqf* & Islamic Affairs and the Ministry of Finance. In Saudi Arabia, because *zakat* is considered a form of taxation, the Ministry of Finance manages both *zakat* and taxes. Notably, the *zakat* collection methods are also different for these countries. For instance, although said ministries regulate *zakat*, payment is voluntary in Bahrain, Brunei, Oman, and the United Arab Emirates. In contrast, *zakat* payment is mandatory to be paid by all Saudi individuals and companies, while in Kuwait, *zakat* payment is mandatory under the Ministry of Finance and voluntary under the Ministry of *Waqf* & Islamic Affairs (Muhammad, 2019). Moreover, in Qatar, the country adopted voluntary *zakat* payment law. However, all listed public companies must pay 2.5 percent of their net annual profits. In terms of the *zakat* to be collected (i.e., *zakat al-fitr* and *zakat al-mal*), all countries collect both types except Saudi Arabia, which collects only *zakat al-mal* (*zakat* on wealth). When it comes to the use of modern technology, *zakat* can be paid through online methods for all these countries, hence, allowing the *muzakki* to pay *zakat* anytime and anywhere. Besides, most countries provide *zakat* calculators on their *zakat* websites.

Regarding the issues, the author reported several issues facing the *zakat* systems in these countries. One major common issue with the *zakat* systems in Bahrain, Brunei, Kuwait, Qatar, and Saudi Arabia is the lack of transparency regarding statistics related to the collection and distribution of *zakat*. The author sheds light on the importance of disclosure of such statistics to the general public because transparency is one of the criteria of good governance, which will instill compliance behaviour in people. Other issues include *zakat* funds are not separated from *sadaqah* in Bahrain; criticism of the way *zakat* is managed and monitored in Brunei; lack of exemptions from tax when *zakat* is paid, and lack of fairness in its distribution in Kuwait; vague interpretation of *zakat* laws in Qatar and Saudi Arabia; recipients of *zakat* including non-*asnaf* in the United Arab Emirates.

Similarly, using content analysis and interviews, Razak et al. (2020) investigated ISF practices in Malaysia, Indonesia, and Sudan. The study shows that the countries have their applications, management, procedures, and system to regulate, manage, and distribute *zakat*, *waqf*, and *sadaqah*. Their results show that ISF instruments could eradicate poverty, reduce hunger, and be used for educational purposes. In terms of practices, there are private and public *waqf* institutions in Indonesia, while in Malaysia, *waqf* is run by the state governments. *Waqf* is used mainly for education in these countries and building mosques, Islamic schools, and universities. The authors identified some issues facing the further development of ISF in these countries. Unlike Malaysia and Sudan, where *zakat* payment is compulsory and collected by the state, *zakat* payment is non-compulsory in Indonesia, thus, a small portion is collected compared to the huge potential. Moreover, the authors highlight some issues and challenges facing *waqf*, including management efficiency, low levels of awareness, and *waqf* data not being publicly available.

In Somaliland, no previous research has examined ISF practices. However, very few studies have assessed the role of Islamic microfinance in poverty reduction. For instance, Yonis (2012) analyzed the impact of two Islamic microfinance institutions' services on poverty alleviation in Somaliland, utilizing questionnaires and interviews to gather the data. The findings demonstrate that the Islamic microfinance institutions were unsuccessful in reaching the hardcore poor. The author identified some of the causes of these institutions' failure, including lack of public support, limited institutional capacity, and insufficient financial and human capital resources. Challenges facing the said institutions ranged from lack of proper institutional and legal frameworks, lack of supportive policies and enabling environment, lack of a supervisory framework to insufficient teaching and training of clients and staff and absence of research and development of products as well as *Shari'ah* issues.

That being said, this paper explores the current practices of *zakat* and *waqf* in Somaliland. No previous research has investigated *zakat* and *waqf* practices and assessed the issues facing them in the country. Therefore, this study reviews *zakat* and *waqf* practices. Also, some of the issues facing their development are inspected. At last, the implications of such practices on poverty alleviation in the country are discussed.

3. RESEARCH METHOD

This study generally aims to explore *zakat* and *waqf* practices in Somaliland. In doing so, the study focuses on the following components – *zakat* governance, *zakat* laws, *zakat* collection, *zakat* payment, *zakat* distribution, and *zakat* beneficiaries. In terms of *waqf*, the following components are inspected – *waqf* governance, *waqf* management, and forms of *waqf*. A Qualitative research method is adopted by employing the content analysis technique. This technique was conducted by following the analysis, interpretation, synthesis, and documentation of information gathered from secondary data sources, namely newspaper articles, magazines, and reports. Since no previous study explored ISF practices in the country and due to limited online sources discussing *zakat* and *waqf* in the country, the content analysis was conducted exclusively on the sources mentioned above.

4. FINDINGS AND DISCUSSION

4.1 *Zakat*: practices and issues

Zakat is the third pillar of Islam, and it is obligatory for Muslims to pay it when their wealth reaches the *nisab*. In Somaliland, as of 2020, the population is estimated to be approximately 4.2 million by the Central Statistics Department. The country's population is 100% Muslim (Yonis, 2012). Thus, since *zakat* payment is an Islamic obligation, it is expected that *zakat* is paid by eligible people and businesses in Somaliland.

In Somaliland, the *zakat* governance structure is centralized (i.e., administered only by the government). The governing body of *zakat* is the *Zakat* Department under the Ministry of Endowment and Religious Affairs. The department was initially established in 2015 and functioned as a government agency. However, the said agency was dissolved in 2021 by the current government and was relocated under the Ministry of Endowment and Religious Affairs (Somaliland Post, 2021). Although initially established in 2015, there haven't been *zakat* collections, laws, or regulations related to *zakat* matters. Cabdi (2021a) highlights that in the National Conference on *zakat*, which was the first national conference on *zakat* matters organized by the Ministry of Endowments and Religious Affairs held in 2021, the *zakat* department officials stressed the need for the implementation of *zakat* laws and policies. This indicates that currently, there are no dedicated laws governing *zakat* in the country. Nonetheless, it is worth mentioning that some businesses claim that they pay *zakat* (Somali House, 2021); however, subject to their discretion as *zakat* payment is not compulsory.

In terms of *zakat* beneficiaries, a report states that some people in Somaliland obtain income from *zakat*. According to the Somaliland Household Survey (SLHS) conducted in 2013, households' sources of income included wages, remittances, non-agricultural self-employment, livestock, alimony, and *zakat* (World Bank, 2015). Notably, households drawing income from alimony and *zakat* accounted for 5% in urban areas and 9% in rural areas. Unfortunately, the SLHS report does not specify the exact percentage of households that draw income solely from *zakat* nor the *muzakkis* (payers) of these *zakat* funds. At this juncture, however, it is possible to conclude that *zakat* is voluntarily paid and distributed directly to the beneficiaries, whether by individuals or businesses, as paying *zakat* is an Islamic obligation. According to the report, the poor in both urban and rural areas are among the beneficiaries of *zakat* (see World Bank, 2015).

There are numerous issues facing the development of *zakat* in the country, including a lack of laws governing *zakat*. In order to officially establish a functioning *zakat* system in the country, it is vital to introduce laws regulating *zakat* (i.e., a legal framework). The aim of enacting *zakat* laws is to provide the legal framework of *zakat*, details for administration and general management of *zakat*, details of *zakat*-able and non-*zakat*-able wealth, details on the collection and distribution process, proper identification of payers and beneficiaries, and other rules on governance and management of the *zakat* funds (Saad & Farouk, 2019). Therefore, without a legal framework guiding the *zakat* activities in the country, it will be impossible to manage, collect, and distribute *zakat* to the *asnaf* (beneficiaries). Another major issue could be that *zakat* funds could go to others than the *asnaf*. Because of the lack of *zakat* collection by either the government or any authorized entity, payers of *zakat* could pay to beneficiaries that are not among the *asnaf*; thus, the importance of *zakat* institutions that manage to ensure that *zakat* funds go to the meant *asnaf*. Furthermore, a lack of public awareness and or knowledge of the importance of paying *zakat* could be another issue facing the development of *zakat*, as stated by Cabdi (2021a). As people are more aware of the obligation of paying *zakat*, *nisab* knowledge, and the potential of *zakat* in addressing social issues such as poverty and crimes resulting from youth unemployment, they may be motivated to pay *zakat*. Indeed, many studies show that the level of *zakat* awareness and knowledge motivates and affects people's interest in paying *zakat* (e.g., Syahrullah & Ulfah, 2016; Yusufarto et al., 2020; Adilla et al., 2021).

4.2 Waqf: practices and issues

Waqf is a form of ongoing charity (*sadaqah jariyah*) characterized by perpetuity. Kahf defines *waqf* as “holding a *Maal* (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness or philanthropy” (Kahf 1998). The *mawquf* (endowed asset) can be a physical property such as a plot of land or a building (i.e., immovable *waqf*), and it also can be in monetary form (i.e., cash *waqf*) (Aziz et al., 2013).

In Somaliland, the *waqf* governance structure is decentralized and consists of a public managed by the Ministry of Endowment and Religious Affairs and those administered by private institutions. The Ministry of Endowment and Religious Affairs facilitates *waqf* management after the *waqif* donates the *mawquf*, commonly mosques, *madrasah* schools (i.e., schools dedicated to Islamic studies), and lands, where the ministry is entrusted with the responsibility of managing these *waqf* assets. After a *waqif* builds a mosque or a *madrasah* or donates land, the ministry maintains them to ensure their perpetuity. Adnan (2021) states that the management and maintenance of the *mawquf* is one of the said ministry’s tasks. On the other hand, common forms of *waqf* donated by either individuals or philanthropy organizations include mosques, educational institutions, and wells, as reported by the press (e.g., Cabdi, 2021b; Maxamed, 2022; Adnan, 2022).

There are several issues facing the further development of *waqf*. First, most forms of *waqf* in the country seem to be mosques and *madrasah* schools. *Waqf* lands are also usually used to establish the said forms of *waqf*. Although these noble forms of *waqf* are imperative for society and are needed to be implemented more across the country, it is crucial that *waqf* is also used as a mechanism to combat poverty and resolve other socio-economic issues. To cope with the widespread poverty in the country, *waqf* can be helpful and potentially lessen its severity. Another issue facing *waqf* could be the lack of publicly available *waqf* data. Since the Ministry of Endowment and Religious Affairs manages some *waqf* assets, *waqf* data must be made available to the public because it will reassure the *waqif* that their donation is managed efficiently and appropriately. It may also motivate potential donors to donate. Another issue could be a lack of awareness and knowledge of *waqf*’s significance in resolving poverty, thus, the importance of increasing the awareness and understanding of *waqf*. The government and the other private actors should make efforts to raise people’s awareness about the different usages of *waqf*, including tackling poverty by donating *waqf* property to benefit the poor, the needy, and the destitute in the community. At last, it is important that the authorities should ensure the introduction of laws and regulations governing *awqaf* in the country to safeguard the preservation and development of endowed assets.

4.3 Implications of current *zakat* and *waqf* practices on poverty alleviation

Poverty is multi-dimensional, whether monetary (i.e., income) or non-monetary such as access to education, water, sanitation, and healthcare facilities. Somaliland is among the world’s poorest countries, with almost 29% of people in urban areas and 38% of those in rural areas classified as living in poverty (World Bank, 2015), ranking it as the 4th poorest country in terms of GDP per capita. Amid this situation, Gaas (2019) highlights that there are no government policies toward poverty alleviation and community-driven programs to empower the poor. That being the case, available and effective instruments that can be utilized to resolve the multi-dimensional poverty in Somaliland could be *zakat* and *waqf*. Despite having the potential and the enabling environment to thrive, *zakat* and *waqf* are not currently effectively used to address the extensive poverty in the country.

Zakat alone, if implemented, managed efficiently, collected, and distributed accordingly in the country, has the potential to alleviate poverty as it provides a permanent mechanism from within the society to constantly transfer wealth from the rich to the poor. Notably, *zakat* has been used as a tool to mitigate poverty in many Muslim countries such as Sudan, Malaysia, Bahrain, Brunei, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, where *zakat* funds are distributed to the *asnaf*, especially the poor and the needy (see, e.g., Muhammad, 2019; Razak et al., 2020). A successful model that Somaliland can replicate can be that of Malaysia. In the state of Selangor in Malaysia, *zakat* is managed by the state authorities. Besides distributing *zakat* to the *asnaf*, they introduced an *asnaf* entrepreneurship program to encourage the productive *asnaf* to generate their own income (see Shiyuti & Al-Habshi, 2018). This program is particularly based on the individual’s interest in pursuing an entrepreneurial business activity and is a 100% grant without any repayment scheme. It is meant to cover the daily needs of beneficiaries, economically grow, and create a surplus that enables the *asnaf* to graduate from the *asnaf* status. The program includes training for *asnaf* entrepreneurs, which includes courses, soft skills, and technical skills. The program provides capital to fund entrepreneurs’ projects and is supervised by the *zakat* authorities to ensure they remain in the program. That being said, Somaliland should set up an effective *zakat* system for collecting and distributing *zakat* to the *asnaf* to alleviate the widespread poverty in the country. Later, if such a system flourishes, the authorities might endeavor to use *zakat* funds to create sustainable sources of income through entrepreneurship and income-generating programs for the productive, willing, and capable *asnaf*. This

approach could be a long-term solution to mitigate poverty, enhance living standards, and create wealth and income streams for the *asnaf* entrepreneurs.

In terms of *waqf*, it should be used more efficiently to tackle poverty in the country. Currently, *awqaf* are mostly in the form of mosques and *madrasah* schools. *Waqf* lands are also largely used to establish the said forms of *waqf*. However, it is important that *awqaf*, especially *waqf* lands, are also used as a tool to alleviate income-based poverty. For instance, if a *waqif* donates land or a building for public use (i.e., *waqf khayri*) and commercial centers or projects are established on the donated property, the proceeds can be spent either on necessary periodic maintenance of *waqf* property to ensure its perpetuity or on initiatives, programs, and projects, that aim to reduce poverty, produce the essential facility of social services, and improve the living standards of the poor. This way, the *waqf* lands will be developed into a productive economic asset that generates perpetual income or usufruct for the beneficiaries and even employment opportunities for the public. Another famous form of *waqf* for poverty alleviation is cash *waqf*. Cash *waqf*, a form of liquid asset, can be raised from donors through cash and mobile money transfers. The donated cash funds can either be directly channelled to the development of any *waqf* project/program or pooled as a *waqf* asset and managed by an entity to be invested so that it generates returns. Subsequently, the net returns can be distributed to the beneficiaries, whether the beneficiaries are the poor, the needy, mosques, schools, orphanages, clinics, hospitals, etc. *Waqf* can also be integrated with Islamic microfinance to alleviate poverty. A *waqf* fund (e.g., cash *waqf* fund) provides *riba*-free lending to micro-entrepreneurs to create wealth and raise the living standards of the beneficiaries. Therefore, Somaliland should harness the benefits of *zakat* and *waqf* to resolve the different dimensions of poverty in the country.

5. CONCLUSION AND RECOMMENDATIONS

The current study explored *zakat* and *waqf* practices and assessed some of the issues facing their development in Somaliland. The country is one of the poorest in the world, with high poverty rates. The findings suggest that despite their potential, *zakat* and *waqf* are currently not utilized effectively to fight poverty and address other socio-economic issues. Some of the issues facing the development of *zakat* include the lack of a legal framework that guides *zakat* and low levels of public awareness. Likewise, although used for religious and educational purposes, *waqf* is not used efficiently to address the extensive income-based poverty in the country. However, although many issues face the development of *zakat* and *waqf* in the country, they can grow into effective tools to mitigate poverty. If well implemented and managed efficiently, *zakat* and *waqf* can resolve the country's socio-economic issues, such as poverty, unemployment, illiteracy through access to education, poor health care, etc.

The findings of this study are beneficial to the regulators as it demonstrates the importance of setting up a *zakat* system and a legal framework of *zakat* to exploit its potential to tackle the multi-dimensional poverty in Somaliland. Moreover, this study sheds light on the importance of harnessing the capacity of *waqf* to serve poverty alleviation purposes. The combination of these two ISF instruments could solve not only the monetary dimension of poverty but also non-monetary dimensions. Besides that, the current study may benefit researchers and academicians by informing them about *zakat* and *waqf* practices as well as some of the issues facing them in Somaliland. Hence, future studies should conduct further research on this topic. Particularly, subsequent studies should utilize primary data collection techniques, such as interviews with the practitioners, to obtain a deeper understanding of the practices and issues facing the development of *zakat* and *waqf* in the country. Additionally, research is required to examine how businesses and individuals practice *zakat*, whether they pay it or not, how they distribute it, the beneficiaries of *zakat*, which type of *zakat* they pay, etc. Moreover, factors influencing the motivation to pay *zakat* should be investigated by future research in order to understand the behavioral intentions of potential *muzakkis*.

This study generally recommends that the authorities implement an effective *zakat* system and facilitate the further development of *waqf* to alleviate the extensive poverty in the country. Further, this study sets forth several specific recommendations. First, the administrators responsible for *zakat* and *waqf* management must be competent to undertake such tasks. Second, it is important to make any data related to *waqf* and *zakat* available to the general public. Transparency is certainly one of the criteria of good governance, which will raise the confidence of the *muzakki* and the *waqif* and assure them that their donations are managed as intended. It may also motivate *muzakkis* and potential *waqifs* to donate. Third, raising the awareness of the general public on the importance of paying *zakat* and donating, whether such donations are *waqf* or *sadaqah*, is of utmost importance to tackle poverty. Finally, since the government of Somaliland has aligned and incorporated the SDGs into its National Development Plans, viable tools to reach these SDGs can be *zakat* and *waqf*. It is a well-known fact that financing the SDGs requires large sums of funds; therefore, the government could finance these goals with the help of a philanthropic fund comprising *zakat* and *waqf*.

REFERENCES

- Abduh, M. (2019). The role of Islamic social finance in achieving SDG Number 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture. *Al-Shajarah: Journal of the International Institute of Islamic Thought and Civilization*, (2019), 185-206.
- AbdulKareem, I. A., bin Mahmud, M. S., Elaigwu, M., & Ganiyy, A. F. A. (2021). Mitigating the effect of Covid-19 on the society through the Islamic social finance. *The Journal of Management Theory and Practice*, 2(1), 56-61.
- Adilla, N., Nasution, Y. S. J., & Sugianto, S. (2021). The Influence of Religiosity and Income on Zakat Awareness and Interest in Paying Zakat. *Indonesian Interdisciplinary Journal of Sharia Economics*, 4(1), 62-76.
- Adnan. (2021). Waxqabadka Wasaaradda Diinta iyo Awqafta iyo Qorshaheeda Cusub. *Wargeyska Dawan*. Retrieved October 22, 2022, from <https://wargeyskadawan.com/2021/12/18/waxqabadka-wasaaradda-diinta-iyo-awqafta-iyo-qorshaheeda-cusub/>
- Adnan. (2022). Madaxweynaha Jamhuuriyadda Somaliland Oo Xadhigga ka jaray mashaariic laga hirgeliyey Ceerigaabo, kuwo kalena kormeeray. *Wargeyska Dawan*. Retrieved October 22, 2022, from <https://wargeyskadawan.com/2022/06/15/madaxweynaha-jamhuuriyadda-somaliland-oo-xadhigga-ka-jaray-mashaariic-laga-hirgeliyey-ceerigaabo-kuwo-kalena-kormeeray/>
- Ahmed, H. (2004). Role of zakah and awqaf in poverty alleviation. Islamic Development Bank, Islamic Research and Training Institute, Jeddah.
- Ahmed, H. (2011). Maqasid al-Shari'ah and Islamic financial products: a framework for assessment. *ISRA International Journal of Islamic Finance*, 3(1), 149-160.
- Alkhan, A. M., & Hassan, M. K. (2021). Does Islamic microfinance serve maqāsid al-shari'a? *Borsa Istanbul Review*, 21(1), 57-68.
- Aziz, M. R., Johari, F., & Yusof, M. A. (2013). Cash waqf models for financing in education. Paper presented at the 5th Islamic Economic System Conference, Proceedings, 835-842. Kuala Lumpur, Malaysia, 4th & 5th September.
- Cabdi, S. (2021a). Somaliland: War-murtiyeed ka kooban lix qodob oo ka soo baxay Shirweynaha Qaran ee Sakada. *Wargeyska Dawan*. Retrieved October 20, 2022, from <https://wargeyskadawan.com/2021/06/29/somaliland-war-murtiyeed-ka-kooban-lix-qodob-oo-ka-soo-baxay-shirweynaha-qaran-ee-sakada/>
- Cabdi, S. (2021b). 86 Ceel Biyood oo laga Hirgaliyey Galbeedka Magaalada Hargeysa. *Wargeyska Dawan*. Retrieved October 22, 2022, from <https://wargeyskadawan.com/2021/06/17/86-ceel-biyood-oo-laga-hirgaliyey-galbeedka-magaalada-hargeysa-2/>
- Central Statistics Department of Somaliland. (2020). Somaliland Government Source for Trusted Statistical News and Information, Central Statistics Department of Somaliland. Available at: <https://somalilandcsd.org/> (Accessed: October 15, 2022).
- Edriyanti, R., Marpaung, M., Musthofiyah, U., & Listiana, L. (2021). The Strategy of Nazir Development in Indonesia: A Qualitative Study. *Al-Muzara'ah*, 9(2), 231-245.
- Gaas, A. O. (2019). Empowering the Poor Towards Sustainable Development—A Case Study of Self-Help Group Approach in Somaliland. *Open Journal of Social Sciences*, 7(11), 26-37.
- Gumel, G. B., Saad, N. M., & Kassim, S. H. (2014). Assessing the impact of Islamic microfinance on poverty alleviation in Northern Nigeria. *Journal of Islamic Economics, Banking and Finance*, 10(4), 37-49.
- Gwadabe, N. A. B., & Ab Rahman, A. (2020). The role of Islamic finance in mitigating the economic impact of COVID-19 towards the attainment of maqasid al shariah: A case study of waqf institutions in Kano State, Nigeria. *The Journal of Muamalat and Islamic Finance Research*, 17 (2020), 59-70.
- Kahf, M. (1998). Contemporary Issues in the Management of Investment Awqāf in Muslim Countries and Communities. Paper presented at the Conference on Awqāf, Kuala Lumpur.
- Khan, M. F. (2007). Integrating faith-based institutions (zakah and awqaf) in poverty reductions strategies (PRS). *Islamic Research and Training Institute*, 31, 1-31.
- Lalani, S. (2019). Islamic Social Finance: The Future of Humanitarian Partnership? *Bond*. Retrieved October 2, 2022, from <https://www.bond.org.uk/news/2019/02/islamic-social-finance-the-future-of-humanitarian-partnership/>
- Malim, M. (2011). Islamic Microfinance: Solution to Poverty Alleviation? *EurekaHedge*. Retrieved October 5, 2022, from <https://www.eurekaledge.com/Research/News/222/Islamic-Microfinance-Solution-to-PovertyAlleviation#:~:text=Islamic%20microfinance%20can%20be%20used,in%20debt%2Dbased%20funding%20structures>
- Maxamed, K. (2022). Wasiirka wasaaradda Diinta oo xadhiga ka Jaray Dhismaha Masjidka Kuwytiga ee Xaafadda Cabaaye. *Wargeyska Dawan*. Retrieved October 22, 2022, from <https://wargeyskadawan.com/2022/03/31/wasiirka-wasaaradda-diinta-oo-xadhiga-ka-jaray-dhismaha-masjidka-kuwytiga-ee-xaafadda-cabaaye/>
- Ministry of Planning & National Development (MoNPD). (2017). The Republic of Somaliland National development plan II. Retrieved October 8, 2022, from <https://mopnd.govsomaliland.org/article/ndpii-1>
- Mohamed, A. H. (2021). A literature review: The impact of Covid-19 pandemic on Somaliland economy. *Open Journal of Social Sciences*, 9(2), 54-64.
- Muhammad, I. (2019). Analysis of Zakat System in high-income Islamic countries. *The Journal of Muamalat and Islamic Finance Research*, 16(2), 1-11.
- Odeduntan, A. K., & Oni, T. A. (2016). Islamic Social Finance: A Sustainable Means of Alleviating Poverty. *Journal of Islamic Banking & Finance*, 33(3), 96-108.
- Pirasteh, H. and Abdolmaleki, H. (2007). Developing Awqaf Properties and Islamic Financial Engineering: a Conceptual and Empirical Analysis. Paper presented at the first Singapore International Waqf Conference: Integration of Awqaf (Islamic Endowment) in the Islamic Financial Sector. 6-7 March. Singapore.
- Razak, D. A., Eldodo, A. M., Ali, A. O., & Abdulkadir, A. O. (2020). The Practices of Islamic Social Finance In Sudan, Indonesia And Malaysia: Issues And Challenges. *International Journal of Social Policy and Society*, 16 (2020), 1-24.
- Rokhman, W. (2013). The effect of Islamic microfinance on poverty alleviation: Study in Indonesia. *Economic Review: Journal of Economics and Business*, 11(2), 21-30.
- Saad, R. A. J., & Farouk, A. U. (2019). A comprehensive review of barriers to a functional Zakat system in Nigeria: What needs to be done?. *International Journal of Ethics and Systems*, 35 (1), 24-42.
- Shirazi, N. S. (2014). Integrating Zakat and Waqf into the poverty reduction strategy of the IDB member countries. *Islamic Economic Studies*, 22(1), 79-108.
- Shiyuti, H. A., & Al-Habshi, S. M. (2018). An overview of asnaf entrepreneurship program by Lembaga Zakat Selangor, Malaysia. Paper presented at the 6th ASEAN Universities International Conference on Islamic Finance (AICIF), Manila, Philippines 14th & 15th November.
- Somali House. (2021). Wasaaradda Diinnta iyo Awqafta oo qabatay Shirwaynaha Heerr-qarann Ee Arrimaha ZAKADA. *Somali House*. Retrieved October 21, 2022, from <https://somalihouse.com/2021/06/28/wasaaradda-diinnta-iyo-awqafta-oo-qabatay-shirwaynaha-heerr-qarann-ee-arrimaha-zakada/>

- Somaliland Post. (2021). Madaxweynaha Somaliland oo Dhaqan-geliyey xeerka Aasaaska Mac'hadka Cilmi-baadhista Beeraha ee Qaranka. Somaliland Post. Retrieved October 15, 2022, from <https://somalilandpost.net/madaxweynaha-somaliland-oo-dhaqan-geliyey-xeerka-aasaaska-machadka-cilmi-baadhista-beeraha-ee-qaranka/>
- Syahrullah., & Ulfah, M. (2016). Response of Indonesian academicians toward factors influencing the payment of Zakat on employment income. *Research on Humanities and Social Sciences*, 6(10), 87-94.
- The Islamic Research and Training Institute (IRTI). (2017). Islamic Social Finance Report 2017. Retrieved October 2, 2022, from <https://irti.org/product/islamic-social-finance-report-2017-2/>
- The Islamic Research and Training Institute (IRTI). (2020). Islamic Social Finance Report 2020. Retrieved October 2, 2022, from <https://irti.org/product/islamic-social-finance-report-2020/>
- World Bank (2015). Somaliland Poverty Profile and Overview of Living Conditions. Poverty Global Practice: Africa Region. Available at: <https://somalilandcsd.org/wp-content/uploads/2021/08/Somaliland-Poverty-Profile-2015.pdf>
- World Bank and Islamic Development Bank Group (2016). Global Report on Islamic Finance: Islamic Finance: A Catalyst for Shared Prosperity. Washington, World Bank.
- Yonis, M. A. (2012). Islamic microfinance system and poverty alleviation in Somaliland [Bachelor's degree thesis]. University of Hargeisa. https://mpira.ub.uni-muenchen.de/68104/1/MPRA_paper_68104.pdf
- Yusfiarto, R., Setiawan, A., & Nugraha, S. S. (2020). Literacy and intention to pay Zakat. *International Journal of Zakat*, 5(1), 15-27.
- Zain, N. R. M., & Ali, E. R. A. E. (2017). An analysis on Islamic social finance for protection and preservation of Maqāṣid Al-Shari'ah. *Journal of Islamic Finance*, 6 (2017), 133-141.