International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2020) PP. 440-455



INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP AND MANAGEMENT PRACTICES (IJEMP)
www.gaexcellence.com/ijemp

DIGITAL ISLAMIC SOCIAL FINANCE AND SUSTAINABLE DEVELOPMENT: A CONCEPTUAL PAPER

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Article Info:

Article history:
Received date: 05.08.2026
Revised date: 27.08.2026
Accepted date: 03.0.2026
Published date: 20.09.2026

Abstract:

Digitalisation is increasingly being integrated into Islamic social finance, yet the mechanisms through which it may support sustainable development remain conceptually underexplored. Existing studies often examine individual Islamic social finance instruments, specific digital technologies, or their broader links with the Sustainable Development Goals, with limited integration of digitalisation mechanisms, governance conditions, and Maqasid al-Shariah within a single framework. This conceptual study explores how digital Islamic social finance may support sustainable development, identify its main operational challenges, and develop a conceptual framework for strengthening inclusive and sustainable socio-economic outcomes. A qualitative conceptual approach is adopted, involving library-based research and thematic synthesis of relevant literature from 2004 to 2025. The synthesis identifies four mechanisms through which

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2020) PP. 440-455

To cite this document:

Najib, N. W. M., Fazial, F., Basarud-din, S. K., Abdullah, N. K., & Muhamad, F. N. (2026). Digital Islamic Social Finance and Sustainable Development: A Conceptual Paper. *International Journal of Entrepreneurship and Management Practices, 9*(36), 440-455.

digitalisation may strengthen Islamic social finance: efficiency, transparency and accountability, financial inclusion and outreach, and impact measurement. However, their effectiveness may depend on governance quality, Shariah compliance, digital readiness, and Maqasid al-Shariah orientation. The review also identifies governance fragmentation, cybersecurity and data-privacy risks, digital exclusion, weak digital literacy, and limitations in impact measurement as key challenges. The paper adds to the existing literature through the integration of digitalisation, Islamic social finance, governance, Maqasid al-Shariah, and sustainable development within a single conceptual framework, demonstrating that sustainable socio-economic outcomes depend not on technology adoption alone, but on its integration with appropriate institutional safeguards and welfare-oriented objectives.

DOI: 10.35631/IJEMP.935025

Keyword:

Digital Islamic Social Finance, Zakat, *Waqf*, Sustainable Development, Maqasid Al-Shariah

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Introduction

Digital transformation has significantly changed the way financial and social services are delivered. The use of digital platforms, mobile applications, financial technology, big data, blockchain and online payment systems has improved the speed, accessibility and efficiency of financial transactions. In the broader financial sector, fintech has created new business models and changed how financial services are accessed, delivered and regulated (Arner et al., 2015; Zetzsche et al., 2017). This development has also influenced Islamic finance, including Islamic social finance, where digital technology is increasingly used to improve collection, distribution, monitoring and reporting of social funds.

Islamic social finance refers to financial instruments and institutions that are designed to promote social welfare, redistribution of wealth, poverty alleviation and public benefit based on Shariah principles. It commonly includes zakat*, waqf, sadaqah, qard hasan* and Islamic microfinance. These instruments are important because they are not only financial mechanisms, but also ethical and social tools that aim to reduce inequality, protect vulnerable groups and support socio-economic justice. Previous studies have highlighted that Islamic social finance can contribute to inclusive and sustainable development by mobilising resources for poverty reduction, education, healthcare, entrepreneurship and community development (Tok et al., 2022; Laldin & Djafri, 2021). Recent bibliometric evidence also shows that Islamic social finance research is closely connected to the Sustainable Development Goals, especially through zakat, *waqf* and Islamic microfinance (Ma & Sukmana, 2025).

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EISSN : 2600-8750
Volume 9 Issue 35 (September 2020) PP. 440-455

Digitalisation may strengthen this developmental role through several mechanisms. First, it may improve operational efficiency by reducing transaction frictions and accelerating collection and distribution. Second, digital records and reporting may enhance transparency and accountability. Third, mobile and online channels may expand financial inclusion and institutional outreach. Fourth, digital data may support monitoring and impact measurement. These mechanisms provide the basis for examining how digital Islamic social finance is conceptually linked to sustainable development.

Digital Islamic social finance may support sustainable development, but its success depends on how well it is governed and implemented. Problems such as weak coordination among institutions, cybersecurity and data-privacy risks, unequal access to digital technology, low digital literacy, and difficulties in measuring social impact may limit its effectiveness. (Mohaiyadin et al., 2022; Tok et al., 2022; Zetzsche et al., 2017). Therefore, Maqasid al-Shariah provides an ethical basis for ensuring that digitalisation protects wealth, promotes social welfare, prevents harm, and benefits society inclusively (Chapra, 2008; Dusuki & Abdullah, 2007).

Despite increasing academic attention to Islamic social finance, fintech and the SDGs, a specific conceptual gap remains. Previous studies frequently focus on individual instruments such as zakat, *waqf* or Islamic microfinance, particular technologies such as blockchain, or broad links between Islamic social finance and the SDGs. They have not adequately integrated the mechanisms of digitalisation with governance conditions and Maqasid al-Shariah to explain how digital Islamic social finance is proposed to support sustainable development across multiple social-finance instruments.

Accordingly, this paper develops an integrated conceptual discussion of digital Islamic social finance and sustainable development. It focuses on four digitalisation mechanisms, which are efficiency, transparency and accountability, financial inclusion and outreach, and impact measurement and considers how governance, Shariah compliance, digital readiness and Maqasid orientation condition their contribution to sustainable socio-economic outcomes.
The paper therefore addresses a conceptual rather than an empirical relationship. It does not test causal effects; instead, it synthesises the literature to explain the pathways through which digitalisation may strengthen Islamic social finance and the conditions required for those pathways to generate sustainable outcomes.

Specifically, the paper aims to examine the role of digital Islamic social finance in supporting sustainable development, identify its operational challenges, and develop conceptual directions for strengthening inclusive and sustainable socio-economic outcomes.

Based on the discussion above, this study addresses the following research questions:

1. What is the role of digital Islamic social finance in supporting sustainable development?
2. What are the operational challenges associated with digital Islamic social finance?
3. How can digital Islamic social finance be strengthened to support inclusive and sustainable socio-economic outcomes?

The paper enriches the existing literature by bringing together digitalisation, Islamic social finance, governance, Maqasid al-Shariah and sustainable development within a single conceptual framework. Rather than treating digital adoption as an outcome in itself, the

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EISSN : 2600-8750
Volume 9 Issue 35 (September 2020) PP. 440-455
framework explains how efficiency, transparency, inclusion and impact measurement may transmit the benefits of digitalisation, while governance and Maqasid-oriented implementation shape whether these benefits translate into sustainable socio-economic outcomes.

Literature Review

Concept of Digital Islamic Social Finance

Instruments for Islamic social finance include several Shariah-based financial tools applied to meet social and economic requirements. Social welfare and poverty alleviation are the main purposes of these tools. Among such instruments are *waqf, sadaqah, qard hasan*, and Islamic microfinance (Rosman et al., 2022; Abdullah Thaidi et al., 2023). The connection between the provision of assistance to disadvantaged groups and poverty reduction on the part of zakat and *waqf* has a longstanding tradition. As noted by Ahmed (2004), their contribution to poverty alleviation can be strengthened when they are properly organised and managed. Similarly, Obaidullah (2008) highlights the relevance of Islamic microfinance and benevolent finance in supporting poor and underserved communities.

Digital Islamic social finance refers to the use of digital technologies and platforms to collect, manage, distribute, monitor and evaluate Islamic social finance instruments. It includes online zakat payment, digital *waqf* platforms, *sadaqah* applications, Islamic crowdfunding, digital *qard hasan* and Islamic microfinance platforms. Digitalisation can improve accessibility, transparency, efficiency and outreach in Islamic social finance by reducing transaction costs and expanding access to donors and beneficiaries. In the wider fintech literature, digital financial innovation has transformed financial intermediation through platforms, data analytics, mobile technology and automated processes (Arner et al., 2015; Zetzsche et al., 2017). According to Rabbani et al. (2021), Islamic fintech has the potential to facilitate social innovation and reinforce the role of Islamic finance in responding to socio-economic issues.

Digital Islamic Social Finance and Sustainable Development

Sustainable development emphasises inclusive economic growth, social welfare, poverty reduction and environmental responsibility. The United Nations (2015) describes the 2030 Agenda for Sustainable Development as a plan of action for people, planet and prosperity, with poverty eradication identified as a major global challenge. Islamic social finance is closely aligned with sustainable development because its instruments are designed to redistribute wealth, support vulnerable groups, empower communities and strengthen social justice.

Tok et al. (2022) indicate that Islamic social finance instruments may play a role in supporting the Sustainable Development Goals by addressing humanitarian and development gaps. Zakat can support poverty reduction and basic needs, *waqf* can provide long-term social infrastructure such as education, healthcare and community facilities, while *sadaqah* and *qard hasan* can provide immediate financial support to vulnerable groups. The significance of Islamic social finance in dealing with poverty and helping in broader development efforts was another point raised by The Islamic Development Bank Institute (2020). It indicates that Islamic social finance could promote development activities, particularly when the resources of the Islamic social finance would be used in an effective way in order to reach the deserving individuals and organisations.

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EISSN : 2600-8750
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Digitalisation could further increase the effectiveness of the efforts of Islamic social finance in supporting the development goals of Islamic financial systems. It might happen due to the fact that digitalisation could facilitate fund collection and its distribution. Digital zakat platforms can make it easier for people to contribute and help zakat institutions distribute the funds more effieciently. Moreover, digital *waqf* platforms could increase the efficiency of project tracking and improve donor engagement. Blockchain technology could also be used to support *waqf* management (Mohaiyadin et al., 2022).

Digital Zakat, Waqf and Islamic Microfinance

Zakat is a crucial part of Islamic social finance as it helps redistribution of wealth and support people in need. Digitalisation will make the process of collecting more convenient, and in the same vein, digital tools could be instrumental in assisting institutions in managing the distribution process. Through digital means and access to accurate data, institutions of zakat will be able to determine the beneficiaries better; to track the provision of assistance and to monitor how effective the assistance was to the beneficiaries. Digitalisation, therefore, can play a great role in ensuring that the institution of zakat makes greater contributions to poverty alleviation and development (Ahmed, 2004; Tok et al., 2022).

Waqf is also significant for promoting sustainable development especially with respect to social and community needs. Digital platforms will make it much easier to generate *waqf* funds, to keep records of the funds raised and to monitor the development of projects by the *waqf* institution. The process will enable people to get better information on how the *waqf* funds have been utilised. Mohaiyadin et al. (2022) further confirmed that technologies like blockchain could assist in making the management of *waqf* institutions more transparent. This is important because weak governance and limited transparency may reduce public trust in *waqf* institutions. With proper digital governance, *waqf* can be used more effectively to finance education, healthcare, housing, entrepreneurship and community welfare.

Islamic microfinance, *qard hasan* and Islamic crowdfunding can also support sustainable development by providing financing access to micro-entrepreneurs, low-income households and underserved communities. Obaidullah (2008) explains that Islamic microfinance can promote financial inclusion through Shariah-compliant mechanisms that avoid interest-based lending. Digital platforms can further strengthen Islamic microfinance by improving outreach, application processes, monitoring and repayment systems. Therefore, the digitalisation of Islamic social finance instruments can create a more integrated and inclusive system for socio-economic empowerment.

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Operational Challenges in Digital Islamic Social Finance

Despite its potential, digital Islamic social finance faces several operational challenges. First, governance and institutional coordination remain major issues. Islamic social finance institutions may operate under different legal frameworks, administrative structures and governance standards. This can create fragmentation in collection, distribution, monitoring and reporting. Tok et al. (2022) indicate that Islamic social finance requires stronger policy coherence to contribute effectively to sustainable development. Without proper institutional coordination, digital platforms may improve access but fail to deliver consistent and measurable social impact.

Second, transparency and accountability are important operational challenges. Donors and contributors may be reluctant to use digital platforms if they do not receive clear information on how funds are collected, managed, distributed and evaluated. Mohaiyadin et al. (2022) argue that technology can improve *waqf* accountability and transparency, but successful implementation requires proper system design, internal control and stakeholder trust. Therefore, digitalisation alone is insufficient unless it is supported by strong governance and transparent reporting.

Third, digital Islamic social finance faces technology-related risks such as data privacy, cybersecurity, system reliability, digital fraud and platform accessibility. Zetzsche et al. (2017) highlight that the growing dependence of financial services on customer data and digital platforms has introduced new regulatory challenges. These issues are also relevant to digital Islamic social finance because zakat payers, donors, *waqf* contributors and beneficiaries may share sensitive personal and financial information. In the Malaysian context, Jalal and Che Abdullah (2024) identify technological infrastructure deficiencies and cybersecurity concerns as important challenges in the collection of zakat on digital assets. Their findings also highlight limited knowledge and regulatory uncertainty, indicating that the effective digitalisation of zakat requires not only technological capability but also adequate institutional knowledge, regulatory clarity and appropriate security mechanisms. Weak cybersecurity or poor data governance can undermine public trust and harm beneficiaries.

Fourth, limited digital literacy and digital exclusion may reduce the effectiveness of digital Islamic social finance. Some poor, elderly, rural or marginalised groups may not have sufficient internet access, digital skills or trust in online platforms. This creates a risk that digitalisation may benefit technologically connected groups while excluding those most in need. Therefore, digital Islamic social finance must be designed inclusively, with user-friendly systems, offline support, digital education and institutional assistance for vulnerable beneficiaries.

Maqasid al-Shariah and Sustainable Outcomes

The ethical principles of Maqasid al-Shariah are relevant to digital Islamic social finance, particularly in ensuring the preservation of religion, life, intellect, lineage, and wealth. Chapra (2008) associates these objectives with the promotion of human welfare, justice, and socio-economic progress. Kamali (2008) and Auda (2008) also emphasise that Maqasid al-Shariah focuses on public interest, human welfare and the prevention of harm.

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In digital Islamic social finance, Maqasid al-Shariah can guide institutions to ensure that digitalisation is not only efficient but also ethical, inclusive and socially beneficial. The protection of wealth requires transparent fund management, fraud prevention, secure transactions and proper distribution. The preservation of life and lineage are reflected in initiatives aimed at alleviating poverty, supporting healthcare, strengthening family welfare, and safeguarding vulnerable groups. The preservation of intellect involves ensuring that information is communicated clearly and transparently, digital literacy and informed participation. Kasri et al. (2023) note that the Sustainable Development Goals are generally aligned with Maqasid al-Shariah, although Maqasid provides a distinct religious and ethical dimension. Therefore, Maqasid al-Shariah strengthens the normative basis for connecting digital Islamic social finance with sustainable development.

Conceptual Framework

The proposed framework (Figure 1) positions digitalisation as an enabling layer for Islamic social finance rather than as a direct cause of sustainable development. Digital technologies are expected to operate through four mechanisms: (1) efficiency, by reducing transaction frictions and improving collection and distribution; (2) transparency and accountability, by strengthening traceability, disclosure and reporting; (3) financial inclusion and outreach, by widening access for donors, contributors and beneficiaries; and (4) impact measurement, by enabling more systematic monitoring of outputs and socio-economic outcomes. The effectiveness of these mechanisms is conditioned by governance quality, Shariah compliance, digital readiness and Maqasid al-Shariah orientation. Sustainable outcomes are therefore proposed to emerge when digital capability is combined with institutional safeguards and a clear welfare objective, rather than from technology adoption alone.

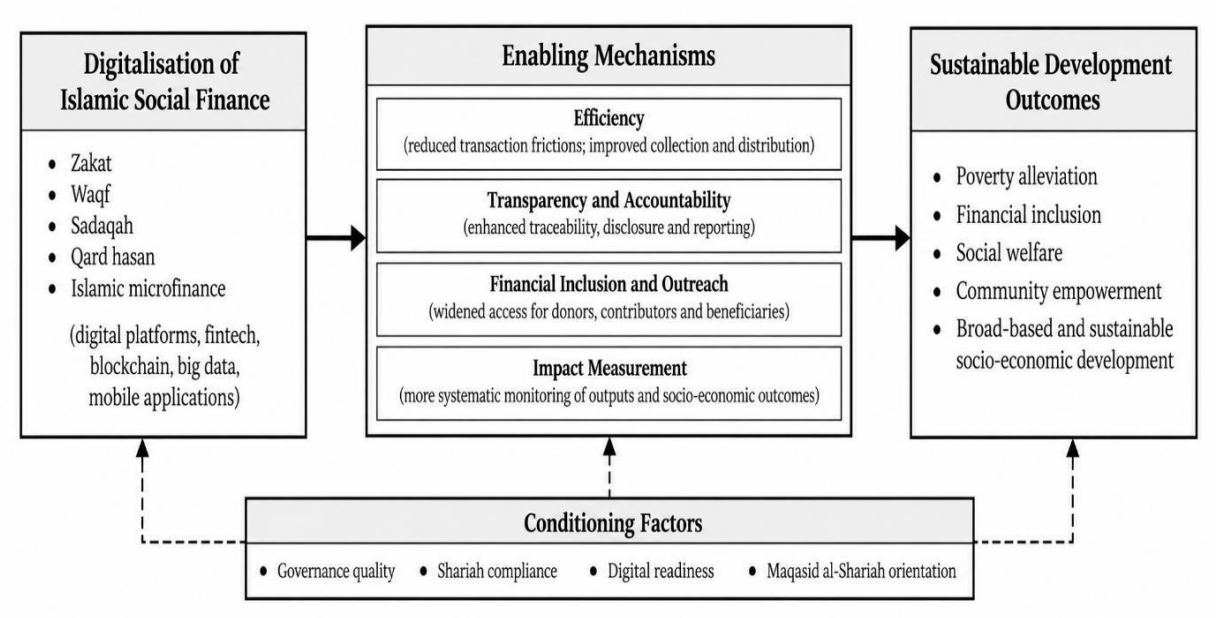


Figure 1: Proposed Conceptual Framework

Source: Authors' Own Development Based on the Literature Review

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Methodology

Qualitative conceptual research design is employed in this study. A conceptual approach is appropriate because the study aims to develop a theoretical understanding of digital Islamic social finance and sustainable development rather than test statistical relationships. The analysis draws on a range of secondary sources, including peer-reviewed journal articles, academic books, institutional reports, policy documents, and other relevant publications addressing Islamic social finance, digital finance, sustainable development, Maqasid al-Shariah, and governance.

Sources were purposively selected according to their relevance to the research questions and conceptual themes addressed in the study. Priority was given to sources that addressed: (i) the functions of zakat, *waqf, sadaqah, qard hasan*, Islamic microfinance and crowdfunding; (ii) digital-finance mechanisms such as platform access, efficiency, transparency, traceability and monitoring; (iii) governance and technology-related challenges; and (iv) sustainable development and Maqasid al-Shariah. The sources used in the final synthesis span 2004–2025, allowing foundational works to be considered alongside recent studies. Because the paper is conceptual, the selection was not designed as an exhaustive database search, and no claim of systematic-review coverage is made.

The selected literature was analysed through thematic synthesis. Evidence and arguments were organised into four explanatory mechanisms, which are efficiency, transparency and accountability, financial inclusion and outreach, and impact measurement and four enabling conditions governance, Shariah compliance, digital readiness and Maqasid orientation. The synthesis then examined how these mechanisms and conditions relate to sustainable socio-economic outcomes, including poverty alleviation, social welfare, inclusion and beneficiary empowerment. The study did not employ primary data collection, surveys, interviews, meta-analysis, or statistical techniques. This approach distinguishes the study from a systematic literature review: its objective is conceptual integration and framework development rather than exhaustive identification and appraisal of all eligible studies.

Results and Discussion

The findings from the conceptual review are presented in accordance with the research questions. The findings are based on the synthesis of relevant prior literature and are organised into three subsections: the role of digital Islamic social finance in sustainable development, operational challenges, and strategies to strengthen digital Islamic social finance for inclusive and sustainable outcomes.

Role of Digital Islamic Social Finance in Supporting Sustainable Development

The first research question explores the role of digital Islamic social finance in supporting sustainable development. The study reveals that the adoption of digital Islamic social finance could enable sustainable development through improved mobilisation, management, distribution and monitoring of social funds.

Zakat, *waqf, sadaqah, qard hasan* and Islamic microfinance instruments currently possess strong redistribution and welfare role that could be used to solve social and economic issues. According to Dirie et al. (2024), digital Islamic social finance has the capacity to contribute to the achievement of 11 out of 17 Sustainable Development Goals (SDGs) via improvements in social welfare and economic, social and environmental sustainability. Adoption of digital technologies in the field can improve the efficiency and efficacy of such contributions through ease of participation of the donors, increased reach and reduced transaction cost.

Additionally, digital Islamic social finance contributes to the promotion of financial inclusion through increased access of social finance services among underserved people and communities. Social finance institutions would be able to improve their outreach efforts and foster greater participation of the donors and beneficiaries through mobile applications, online payment systems, crowdfunding platforms and digitised beneficiary databases. This is consistent with the SDG agenda that aims at poverty reduction, inclusion and leaving no one behind (United Nations, 2015).

Moreover, it is in line with the assertions made by Tok et al. (2022) that Islamic social finance instruments can support the achievement of the SDGs by helping to address gaps in humanitarian and development financing. Thus, the integration of digital technologies with Islamic social finance would enhance its contribution towards financial inclusion, poverty alleviation and socio-economic development.

Also, digital Islamic social finance helps to improve transparency, accountability and public trust. Donors and contributors are likely to participate if they have adequate information about the process of collection, allocation, distribution and social impact. Adoption of digital technologies including real time updates, reporting system, dashboards and blockchain would increase the level of information and enhance the level of accountability of the institutions. For instance, Mohaiyadin et al. (2022) illustrate how blockchain technology would enhance transparency and accountability of *waqf*. Transparency would be of great importance in the case of Islamic social finance since public confidence would affect participation and fund mobilisation efforts.

Operational Challenges in Digital Islamic Social Finance

The second research question focuses on operational challenges in digital Islamic social finance. In turn, the identified challenges include governance fragmentation. For example, Islamic social finance organisations can be subject to various regulations and authorities. In particular, zakat and *Waqf* organisations can face different issues concerning their governance. This can be associated with lack of standardisation, inconsistency in reporting, and lack of coordination of operations between organisations. Without sufficient coordination, digital platforms can stay fragmented and fail to reach their full development potential.

Transparency and impact measurement represent another challenge. Although digital platforms allow making processes more convenient for stakeholders, they do not ensure transparency and accountability in operations automatically. This is because institutions require reporting system, distribution criteria, beneficiaries' verification, and the measurement of the impact made by funds on the community. In addition, lack of transparency can result in loss of confidence in organisations and reduction of the ability to mobilise resources. Such an issue is

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very important since Islamic social finance depends significantly on public confidence and credibility of organisations.

The next challenge is related to technology. Platforms used by Islamic social finance organisations are able to process personal data of donors, payers, beneficiaries, and other participants. Therefore, the protection of data privacy, cybersecurity, platform reliability, and prevention of fraud are extremely important for such platforms. Zetzsche et al. (2017) point out several regulatory issues associated with the development of data-driven financial services. They are also confirmed by the results of empirical research conducted in Malaysia. Jalal and Che Abdullah (2024), in their analysis of the collection of zakat on digital assets, revealed several practical challenges, including limited knowledge, insufficient technological infrastructure, regulatory uncertainty, difficult valuation, and cybersecurity risks. Thus, the digitalisation of Islamic social finance implies not only additional opportunities but also challenges connected with institutions, technology, and regulation.

The last challenge is associated with digital exclusion. Not all beneficiaries and contributors may have the same access to technologies, such as computers and mobile phones with the internet connection, as well as sufficient digital literacy. The implementation of digital Islamic social finance without taking into account such a factor can create barriers for rural communities, elderly people, poor families, or people lacking digital skills.

Strengthening Digital Islamic Social Finance for Inclusive and Sustainable Outcomes

The third research question addresses how digital Islamic social finance can be strengthened to support inclusive and sustainable socio-economic outcomes. The findings show that the power of digital Islamic social finance can be enhanced through the use of integrated governance, technology readiness, Maqasid oriented implementation and impact evaluation.

Firstly, institutions must reinforce their governance and transparency framework. Digital Islamic social finance should be transparent about how the funds are collected, distributed and administered, who are the beneficiaries, what projects were done and the socio-economic impacts created. The governance framework must encompass Shariah oversight, internal control, data governance, cybersecurity and reporting.

Secondly, digital Islamic social finance should be implemented through an inclusive technology. The platform used must be friendly, secure, multilingual where needed and available to users in both urban and rural areas. In addition, institutions must consider offering digital literacy training to vulnerable groups and maintaining non-digital assistance to the same. Thirdly, digital Islamic social finance should be Maqasid oriented. The objective of digitalisation should not only be on efficiency, but also include protection of wealth, poverty eradication, social welfare and empowerment. Chapra (2008) and Dusuki and Abdullah (2007) emphasise that Islamic financial activities should promote public welfare and prevent harm. Therefore, digital Islamic social finance should be evaluated based on its contribution to human well-being and sustainable development.

Finally, institutions should develop stronger impact measurement systems. Digital platforms can collect useful data on beneficiaries, distribution outcomes, project progress and long-term socio-economic impact. These data should be used responsibly to improve decision-making and demonstrate how Islamic social finance contributes to poverty reduction, financial

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inclusion and sustainable development. The findings therefore suggest that digital Islamic social finance can achieve inclusive and sustainable outcomes when supported by transparent governance, secure technology, digital inclusion and Maqasid-oriented impact assessment.

Summary of Findings

Table 1 synthesises the main findings in relation to the three research questions addressed in this study.

Table 1: Summary of Findings

Research Question	Main Finding	Supporting Literature
RQ1: What is the role of digital Islamic social finance in supporting sustainable development?	Digital Islamic social finance may support sustainable development through improved fund mobilisation, inclusion, and outreach, transparency, distribution efficiency and impact tracking.	United Nations (2015); Islamic Development Bank Institute (2020); Rabbani et al. (2021); Tok et al. (2022); Dirie et al. (2024)
RQ2: What are the operational challenges associated with digital Islamic social finance?	The major challenges include governance fragmentation, weak transparency, limited impact measurement, cybersecurity and data privacy risks, digital fraud, inadequate technological infrastructure, regulatory uncertainty, limited digital literacy, and digital exclusion.	Arner et al. (2015); Zetzsche et al. (2017); Mohaiyadin et al. (2022); Tok et al. (2022); Jalal and Che Abdullah (2024)
RQ3: How can digital Islamic social finance be strengthened to support inclusive and sustainable socio-economic outcomes?	The framework proposes integrated governance, Shariah compliance, technology readiness, digital literacy, Maqasid orientation and impact measurement as enabling conditions for inclusive and sustainable outcomes.	Chapra (2008); Dusuki and Abdullah (2007); Auda (2008); Kasri et al. (2023)

Source: Authors' Own Development Based on the Literature Review

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Limitations and Recommendations

Limitations of the Study

Certain limitations should be considered when interpreting this study. First, the research follows a conceptual approach and relies on secondary literature rather than primary data. Its discussion is therefore based on the synthesis and interpretation of existing literature rather than empirical evidence collected directly from institutions, donors or beneficiaries. Future research may extend the issues identified in this paper through surveys, interviews, case studies or mixed-method approaches involving zakat institutions, *waqf* institutions, Islamic fintech providers, regulators, donors and beneficiaries.

Second, the study provides a general discussion of digital Islamic social finance without limiting the analysis to a specific national or regulatory context. The structures of governance in respect of zakat, *waqf* and Islamic social finance could vary from one jurisdiction to another because of variations in legal system, institutional capabilities, Shariah governance, technological readiness and trust. As such, the institutional and regulatory context in Malaysia, Indonesia and elsewhere ought to be taken into account in understanding the conceptual analysis presented.

Third, the research analyses several instruments within the category of Islamic social finance, namely zakat*, waqf, sadaqah, qard hasan*, Islamic microfinance and crowdfunding. There are unique concerns about each individual instrument. In consequence, the general conceptual analysis provided could not completely cover all the technicalities and institutions involved in each instrument.

Recommendations of the Study

Three recommendations have been made in relation to this discussion. First, Islamic social finance institutions must integrate digital governance that will include Shariah compliance, transparency, data protection, cybersecurity, internal controls and impact reporting. In addition to facilitating payment or collections, digital platforms must communicate clearly about the allocation of funds, the choice of beneficiaries, projects and social impacts.

Secondly, digital Islamic social finance must be inclusive. Institutions must ensure that the digital platforms used are accessible, user friendly, secure and with digital literacy programs. This is because some beneficiaries could be excluded from accessing technology and therefore offline processes and assistance from the community should continue.

Thirdly, Islamic social finance institutions must incorporate Maqasid al-Shariah and sustainable development indicators in their performance evaluation. Instead of measuring success in terms of the amount of funds collected, other aspects such as poverty alleviation, improved welfare, financial inclusion, beneficiary empowerment and public trust must also be taken into consideration. Future empirical research could explore these topics within various Islamic social finance institutions, countries and digital Islamic social finance frameworks.

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Conclusion

This conceptual paper analysed the concept of digital Islamic social finance and its connection to sustainable development. The research proves that various types of Islamic social finance instruments, such as zakat, *waqf, sadaqah, qard hasan*, Islamic microfinance and Islamic crowdfunding can effectively contribute to poverty reduction, financial inclusion, social welfare and empowerment. However, digitalisation can enhance the impact of such instruments, by improving their accessibility, efficiency, transparency, monitoring and impact assessment.

It was also established that there are some important challenges of digital Islamic social finance, which include fragmented governance, lack of transparency, inadequate impact measurement, privacy issues, cybersecurity problems, digital fraud and digital exclusion. Hence, digitalisation itself is not enough for the promotion of sustainable results. Instead, digital Islamic social finance needs to be based on efficient governance, Shariah compliance, technological readiness, public trust and inclusive implementation.

The main contribution of this paper is an integrative discussion of the concept of digital Islamic social finance, its governance and operational aspects, Maqasid al-Shariah orientation and sustainable development outcomes. This discussion shows that the success of digital Islamic social finance cannot be measured simply in terms of technological implementation and money accumulation. At the same time, digital Islamic social finance needs to promote fairness, transparency, protection of wealth, poverty reduction, financial inclusion and socio-economic wellbeing.

To conclude, the digital Islamic social finance has great potential in promoting sustainable development if it is implemented via ethical, transparent, inclusive and Maqasid-oriented governance. Further research could continue studying the discussed themes by analysing the implementation of digital Islamic social finance in different jurisdictions, institutional frameworks and among different beneficiaries. In addition, further research could conduct qualitative interviews with relevant stakeholders, such as zakat and *waqf* administrators, Islamic social finance professionals, Shariah scholars, FinTech providers, regulators and policymakers, and beneficiaries of the funds provided via Islamic social finance instruments. Such interviews could clarify many practical, governance, technological and Shariah related aspects of digital Islamic social finance. In addition, the involvement of both institutional stakeholders and beneficiaries will help to evaluate if digitalisation increases the accessibility, transparency, financial inclusion and social welfare as per Maqasid al-Shariah principles.

Acknowledgements: The authors would like to express their gratitude to the Faculty of Muamalat, Management and Technology of the Universiti Islam Antarabangsa Tuanku Syed Sirajuddin for providing support for the research conducted. The authors would like to thank all of the colleagues who gave valuable feedback on the manuscript.

Funding Statement: No external funding or grant support was received for this research.

Conflict of Interest Statement: There is no conflict of interest associated with this research. All authors agree with the final version of the manuscript to be submitted to the International Journal of Entrepreneurship and Management Practices (IJEMP).

Ethics Statement: This study did not involve human participants, animals, or sensitive data requiring ethical approval. It is a conceptual study developed through an extensive review and synthesis of existing scholarly literature. The authors confirm that the research was conducted in accordance with accepted academic integrity principles and ethical publishing standards.

Author Contribution Statement: Each author made a substantial contribution to the development and preparation of the manuscript. Nabilah Wafa' Mohd Najib was responsible for all aspects of the research and manuscript, including conceptualization, methodology, literature review, analysis, interpretation, writing, and revision. Farahdina Fazial, Siti Khalilah Basarud-din, Nurul Khofifah Abdullah and Fatimah Noni Muhamad contributed to the structuring of the paper and provided technical support. All authors reviewed and approved the final version of the manuscript prior to submission.

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