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A Proposed Model for Social Impact Sukuk

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Abstract: Despite the fact that humanity has totally embraced the 21st century with its technological and innovation outcomes, poverty and social disparity still haunt most of the world's leaders. This disturbing reality is also a major concern in Muslim countries. Although *Shari'ah* considers prosperity and the well-being of Muslims as one of its top priorities, most Muslim countries still suffer from high poverty rates and underdevelopment, which impede their prosperity and emergence as economic powers. This paper aims to propose concrete solutions for Islamic finance practitioners that combine both the profit-oriented feature of sukuk, risk-sharing principle and socioeconomic support to Muslim communities through a proposed Social Impact Sukuk model. The proposed structure is mainly based on the partnership contract (*mudarabah*), which is considered a cornerstone of Islamic finance. The structure involves a partnership between a Non-Government Organization (NGO) (*mudarib*) and the investors (*rabb al-mal*) where the State could be considered as a guarantor. Ultimately, the burden on the State will be optimized through a bilateral partnership between an NGO and private investors.

Keywords: Social disparity, Underdevelopment, *Wakalah*, Social impact sukuk, Risk-sharing

JEL Classification: H55, L31, O51, E22, G23

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Introduction

Many articles and news reports have praised the spectacular growth of Islamic finance in the past ten years. Nevertheless, growth in Islam should neither be measured by the accumulation of wealth nor by classical quantitative indicators like GDP, NPV, or IRR: Islamic financial success must include the positive social impact that this wealth brings about and through measures such as the *Maqasid al Shariah*-based Development Index (MSDI) for measuring human development. A closer look into economic data will be sufficient to discover that many Muslim countries are either poor or are emerging economies. The lack of decent public services in most Muslim countries is critical as most of them suffer from low performance on the Human Development Index (HDI). Indeed, developing countries, which include most of the Muslim countries, score 0.686—the medium category—while Muslim countries located in the sub-Saharan region, like Niger and Chad, score 0.541, which is in the low HDI category (Human Development Report, 2019). On the contrary, a recent report by Dubai Chamber estimates financial assets generated annually from *zakat*, charity, and *awqaf* to be around $500 billion globally. This fact proves an overt need to use these resources through sufficient tools in order to cover social needs in a more efficient manner.

Furthermore, most practitioners have forgotten the essence of Islamic finance as a tool to link the financial sphere with the real economy through investment. In fact, the main criterion in this task is not purely the Net Present Value (NPV) or the Internal Rate of Return (IRR). Indeed, Islam's main objective is the general welfare of Muslim communities. Hence, the need for an effective instrument to finance the social project is no luxury for Islamic banks, but a compulsory duty that matches their normal activity.

We keep hearing about the rise of social finance and social responsibility in developed countries as a manifestation for popular pressure on corporate leaders to adjust their investment strategies toward social and environmental constraints. However, the Islamic Moral Economy (IME), which frames all economic practices of Islamic essence including Islamic finance, takes social responsibility as an irreplaceable component of its regime. Muslim investors should take into consideration the duality of Islamic finance practices, which combines both lucrative objectives and social commitments.

Although the Islamic capital market with its impressive development in sukuk issuance does contribute to the economic and infrastructure development of many countries, there is a lack of concern among Islamic financial institutions in the field of social innovations in Islamic finance (Mohamad et al., 2016). For this reason, it is urgent to start a real process of innovation to combine both the investment spirit of sukuk and the social needs of Muslim communities.

This paper will attempt to bring into discussion the concept of Social Impact Sukuk (SIS) as a suitable tool to raise funds for social impact projects without touching the spirit of investors' quest for profit. The first part will highlight how Islamic law considers social impact projects an inseparable duty of the Muslim individual toward his community. Then, the conventional concept of the Social Impact Bond (SIB) will be presented as a successful tool to raise funds in Western communities to cover their social needs. Finally, we shall propose a model for SIS that can be implemented in the practice.

Social Responsibility in Islamic Law

If we are looking for a brief and sufficient explanation of the philosophy that drives the conventional financial system, we can only think of this quote by the pioneer of the classical school. He says:

> "there is one and only one social responsibility of business - to use its resources and to engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud" (Friedman, 1970).

Accordingly, the same capitalist who was once driven by the quest for unlimited profit is now looking for some sort of redemption by implementing the new concept of ethical banks and Corporate Social Responsibility (CSR) alongside Banking Social Responsibility (BSR). However, an objective reading of this trend leads us to two deductions: either banks and financial institutions are looking for new development segments with high growth perspective or it is, indeed, an attempt to spread awareness on sustainability and social development within banking activities.

On the other hand, Islamic finance is presented as an alternative to this model as it conciliates both the profit concern of investors and their social responsibility toward their communities. The concepts of CSR and sustainable development have evolved over the last 50 years in the West. Especially since the 2008 financial crisis, these concepts have been brought to surface to highlight the ethical and moral issues that have been overlooked by the financial and business practices due to the attachment to the neo-classical economy understanding. (Chapra, 2008a) puts forward that the resilience of Islamic finance during the global financial crisis was partly the result of market discipline, avoidance of excessive leveraging, a formidable regulatory framework, and a strong emphasis on ethics.

Due to having its basis in the Islamic Moral Economy (IME), the Islamic financial industry is expected to be a financial intermediary and to conform to the foundation principles and philosophy of Islamic economics. By definition, therefore, IBF's operations have to comply with *Shari'ah* (Islamic Law) or *Maqasid Shari'ah* (Supreme goals of Islamic law), which is interpreted as human well-being. Al-Mawdudi was the first person in modern times to use the terms "Islamic economy" and "Islamic economics" when he made reference to justice and equity as the fundamental principles of this Islamic economy. Justice and equity are not normally cited as pillars for conventional finance but are considered vital pillars of Islam and any branch extending from it.

First of all, IME is considered as a balanced system, which is based on the integration of spiritual, moral, and material aspects. Fundamentally, it revolves around the dimension of *taqwa* or, as one could translate it, God-consciousness or spiritual accountability (Nor & Asutay, 2011). Furthermore, the notion of *Maqasid al Shari'ah* should be brought to light because it stands right on the core basis of the IME. *Al-Ghazali* (as cited in Chapra, 2008b) in the early 12th century resumed it as follow:

> "The very objective of the Shari'ah is to promote the welfare of people, which lies in safeguarding their ḥifẓ al-'aql (intellect), ḥifẓ al-dīn (religion), ḥifẓ al-māl (wealth), ḥifẓ al-nafs (life) and ḥifẓ al-nasl (posterity). Whatever ensures the safeguarding of these five serves public interest and it is desirable and whatever obstructs their realization is evil and its removal is commendable and desirable" (Al-Ghazālī, al-Mustasfā, 1937, pp. 139-140).

On the notion of *taqwa*, we can say the cost of enforcing divine rules would be lower than the cost of enforcing man-made laws. The reason is that the individual tends to accept willingly enough rules when they are internally motivated rather than if they are imposed by an external organization.

According to Al-Shatibi (as cited in Nyazee, 2000, p. 206), "the determination of what is beneficial and what is harmful cannot be left to human reasoning alone (as most Western theorists have advocated, e.g., the social contract theory and the normative stakeholder theory)." Human reasoning plays a role only within a framework of guidance provided by the *Shari'ah* (Nyazee, 2000). Consequently, the rules that Freidman mentioned in his aforementioned quote are neither fixed by human desire nor by the public opinion as it carries more wisdom but there are fixed and watched by the human's Creator. In other terms, a man is not expected to conduct his economic, social, and other worldly activities as a self-centered utility-maximizing economic agent, as idealized in neoclassical economics; rather, he is expected to balance between the rights and responsibilities of the individual and that of society (Chapra, 1992).

Oppositely, Ismail (1986) argues that Islamic banks that belong to the commercial sector have responsibilities toward their shareholders and depositors and not toward the larger society. The task of fulfilling socio-economic objectives, like voluntary spending, institutionalizing *zakah* or investing in community projects would not fall under the responsibility of IFIs. As an alternative, socially oriented projects would be undertaken by NGOs and social organizations that situate themselves in the third sector. We can raise the question here of how Islamic finance would differentiate its conventional practices under the influence of classical and neo-classical liberal philosophy.

Therefore, CSR from an Islamic perspective is a moral and religious responsibility regardless of the constraint of profit. The commitment toward one's community goes in perfect harmony with undertaking business.

Nevertheless, the Islamic finance industry has been centered on the development of *Shari'ah*-compliant products that mimic conventional products available in the market by adjusting them to meet the requirements of the prohibitions on *ribah* and other prohibitions, such as gambling, excessive speculation, and uncertainty, by adopting the various legal contracts allowed in Islam (Mohamad et al., 2016). Hence, the prevalence of form over substance has led the industry to deviate from the core principal of *Maqasid al Shari'ah*. By saying so, we are not expecting social miracles from the Islamic finance industry but we do expect a minimum of community-based services inspired from the doings of our ancestors.

Consequently, the need for a new set of innovative instruments that merge both the profit-making mechanism and business responsibility toward local communities is more urgent than any time before.

Social Impact Bonds

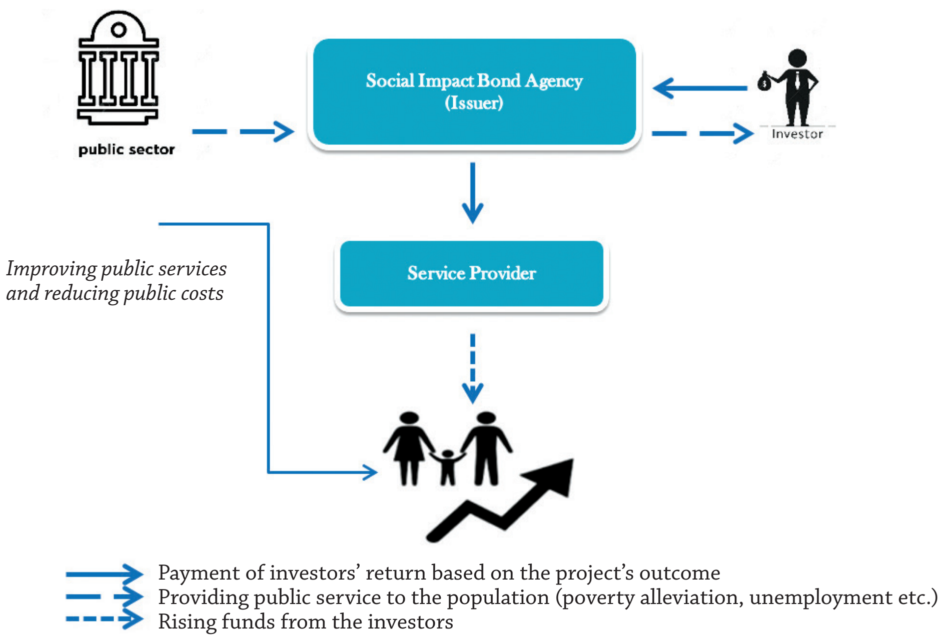
Social Impact Bonds (SIBs) (or pay-for-success contracts) represent a new innovative financing mechanism where multi-stakeholder partnerships are designed to provide social services while saving the state money by monetizing the financial gains of improved outcomes. Private investors provide funding for effective non-profits to carry out their mission and the state reimburses investors (plus a pre-determined return on principal investment) if and only if the non-profits meet pre-specified, verifiable, performance targets. In other terms, SIBs consist of bond-issuance from organizations in order to raise funds from private-sector investors, charities, or foundations to cover basic social needs.

The motivation behind the creation and spread of SIBs can be explained by the State's growing will to disengage from social sectors for the private entities under the neoliberal push. In fact, (Allen, 2009) and (Millar, 2012) point out that among the reasons for this development may be an alleged higher efficiency and perhaps effectiveness of the private sector with their narrower focus compared with their public counterparts. Thus, states are looking for solutions to lighten their social burden along with elevating public service quality and Social Impact Bonds seem to be the sound solution for this problem.

The basic mechanism of SIB is shown below:

Figure 1

Structure of a Social Impact Bond



Source: adapted from (Marwan & Rabiah, 2016)

The basic concept of SIBs is to externalize the burden of public services to other counterparties through NGOs. Hence, investors get to diversify into new areas such as health, education, and social programs. This concept has the benefit of combining social responsibility of corporate agents along with keeping profit as SIBs generate profit through returns linked to the performance of the project.

Data on SIB up to 2016

The data related to SIB issuance up to December 2016 show a total number of issuance of 70 bonds with a total value of USD242841744. The issuances are distributed geographically as reported in Table 1.

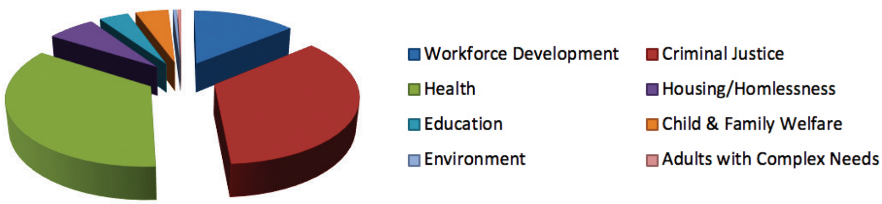
Table 1.
Geographic Distribution of SIBs

Region/Country	Number of Bonds Issued	%
UK	28	40
Europe	22	31.43
USA	14	20
Other countries	6	8.57

Source: http://www.socialfinance.org.uk/

As for the use of proceeds, the main beneficiaries of SIB are detailed in Figure 2.

Figure 2
Main Beneficiaries of SIB proceedings



Source: Data collected from http://www.socialfinance.org.uk/

In 2010, there were only 22 SIBs. To date, 60 have been launched in 15 countries worldwide, raising over $200 million, according to UK-based NGO Social Finance. A 2014 report by KPMG found that SIBs make up the broader $21 trillion of assets allocated to Socially Responsible Investments. Their growth potential will largely be fueled by the ongoing movements of CSR and BSR as it relies on outsourcing public services with relatively low bond issuances.

The structure of SIBs

The structure of an SIB can take multiple forms depending on the issuing organization and the aims of the operation. However, two main structures monopolize this kind of issuance: the SIBs funds and the individual SIB. The main difference between them is that SIBs funds have the capacity to issue multiple contracts dealing with the same or similar social issues, whereas individual SIBs proceed to one payment contract at a time (Galitopoulou & Noya, 2016).

Individual SIBs are more common and these can take one of three structural forms: direct, intermediated, or managed. The common elements among these structures are the outcome payers, the investors, and the service providers. The difference lies at the level of responsibilities bared by each party, depending on which contract is used. In the case of SIBs funds, the government that commissions the SIB or another commissioner establishes a rate card for payments per outcome. The prices indicated on the rate card are based on thorough research that examines the cost savings or reduced remedial assistance that each outcome can yield (Noya & Galitopoulou, 2016). Consequently, contracts are granted depending on the selected bidders, mainly the investors' discount indicated to their bid.

The main challenge to implement SIBs is the strict requirements to specify its stakeholders' tasks and responsibilities. These include raising capital to fund operating costs and absorb risk, assembling a team of service providers, and managing the team to achieve performance objectives (Azemati et al., 2013).

Sukuk and Social Finance

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defines *sukuk* as "certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity."

The success of sukuk throughout the world is mainly due to the transparency and clarity of rights and obligations, which are among the distinguishing features of sukuk. In sukuk, the income from securities must be related to the purpose (Wilson, 2004). Consequently, this mitigates fears related to the 2008 global crisis where securitization played a negative in worsening the outcome of the crisis.

The use of sukuk intends, in theory, to mobilize additional resources from the private sector to fill the financing gap in infrastructure investments and to alleviate the public sector's debt burden. The fact that the income distributed to the investors or the sukuk holders should come from the performance of the underlying asset, releases the originator (the government) from any commitment to guarantee a return on the investments made by the sukuk holders.

SRI Sukuk

The concept of Socially Responsible Investment (SRI) has attracted increasing attention in some Muslim countries especially in Malaysia where a concrete experience took place. Prior to that event, the World Bank initiated the SRI framework into the sukuk framework through an issuance of a Vaccine Sukuk with the International Finance Facility for Immunization (IFFIm) in 2014, worth USD500 million. A second issuance of SRI Vaccine Sukuk in 2015 was propelled by the success of the first one and worth another USD200 million (Bennet, 2015).

Consequently, the successful experience of SRI was adopted by Malaysia through the Ihsan SRI Sukuk. Indeed, Khazanah Malaysia Berhad inaugurated a program worth RM1 billion with a 25-year tenure, with a first issuance of RM100 million fully subscribed in June 2015. The project aimed to improve the accessibility of quality education in Malaysia and the funds were channelled to a Non-Profit Organization (NPO) (Yayasan AMIR) that manages Khazanah's Trust School programme (Owais & Mustafa, 2018). The key similarities between the SRI Ihsan Sukuk and the Social Impact Bond included the establishment of a pay-for-success model, where impact is measured through several key performance indicators (KPIs) over a five-year period.

Nevertheless, the key difference between SRI Ihsan Sukuk and SIBs is that the latter is undertaken at a local level with small issuances. This feature gives SIBs considerable flexibility to target urgent social needs and decentralise the process of issuance. The government is sole facilitator of the operation and not the main trigger as is the case of SRI Ihsan Sukuk. Hence, the main reason for the generalization of SRI Sukuk is the long issuance process mainly correlated to state bureaucracy and its market-based approach, whereas SIB and our proposed Social Impact Sukuk are aimed to offer more initiative for local NGO is raising funds.

SRI Sukuk model

The most common feature between all social-based financial instruments like SIB, SRI Sukuk, and the proposed Social Impact Sukuk is their low correlation with the financial markets. (Ng et al., 2015) report that the securitization of social programs where performance is driven by measurable social outcomes represents an alternative investment asset class for investors.

The Malaysian experience with SRI Ihsan Sukuk was structured under a *Wakalah Bil-isthmar* contract where the Ihsan acts as a Wakeel pointed by sukuk holders and Khzanah Malaysian acts as an investment Wakeel to invest the proceeds. Our structure differs from SRI Ihsan Sukuk through the establishment of a special government agency for Social Impact Sukuk under an independent auditing firm. Rigidity shall be taken out from the SRI Ihsan model to make it more accessible for local NGOs.

Social Impact Sukuk

The basic feature of SIB is a partnership between an NGO and investors where the NGOs steer the project based on their expertise on public services and investors provide funding for this project in return of a profit determined by reaching the goals of the program. For example, let us take a program of hosting the homeless during cold weather where the NGO provides food and shelter over the winter period. A group of investors will provide the needed amount for the program in return of a 3% profit if and only if 100,000 people are served during the program. In the case of an outperforming, investors will get an extra return and vice versa. From a general *Shari'ah* perspective, such partnerships aim to bring social care and welfare to Muslim communities would be encouraged in all ways.

Moreover, the type of contract used to finance such programs is mainly based on a partnership—considered a cornerstone of Islamic finance—between an NGO and the investors where the state would guarantee the payment of the principal and the profit. However, the conventional structures of SIBs are based on "fixed-income model instruments." Islam prohibits fixed return investment that guarantees the principal of the investors because such investment includes the element of *ribah*.

Dealing in debt-based securities that generate interest (*ribah*) is prohibited in *Shari'ah*. Any loan given out on interest or mark-up is strictly prohibited and invites the curse of Allah (swt). Moreover, Islamic transactions are awarded by the level of risk taken according the *fiqhi* (Islamic jurisprudence) rule "*Al-ghurmu bil-ghunm*." Consequently, the current form of SIB is considered impermissible as it is based on a fixed-return scheme with a guarantee of the principal from the issuer. The last issue can easily be overcome by proposing a model where the other government-linked agencies shall stand as a guarantor for the operation as a third party.

Accordingly, the suitable form of a Social Impact Sukuk shall be based on a *mudarabah* contract where investors are *rabbul Al-mal* and the NGOs are considered as *mudarib* on their behalf. *Mudarabah* is a contract between a capital provider (*rabbul mal*) and an entrepreneur (*mudarib*) under which the *rabbul mal* provides capital to be managed by the *mudarib* and any profit generated from the capital is shared between the *rabbul Al-mal* and the *mudarib* according to a mutually agreed upon profit sharing ratio (PSR), whereas financial losses are borne by the *rabbul mal* provided that such losses are not due to the *mudarib*'s misconduct (*ta`addi*), negligence (*taqsir*), or breach of specified terms (*mukhalafah al-shurut*).

The choice of a mudarabah contract to implement SIS is justified by the original feature of mudarabah. Indeed, (Yousfi, 2013) show that mudarabah-based contracts mitigate the moral hazard problems that plague most of social financing like SIS and SIB. Indeed, when the performance of the project depends on the agent's efforts, in our case local NGOs, the problems of information asymmetry tend to be mitigated. This situation is additionally enhanced when the project relates to socio-economic benefit of Muslim communities and the faith variable is highly weighted in the process. Islamic values like justice, equality, truth, trust, kindness, honesty, and responsibility are the main motivation to implement such instruments.

Applying this concept to our case, a contract shall be undertaken between investors and an NGO under *mudarabah* form where the project is providing social public services to the general public. Nevertheless, the program shall be clear in its objectives and outcomes. The current practice of existing SIB shows a substantial progress in the matter.

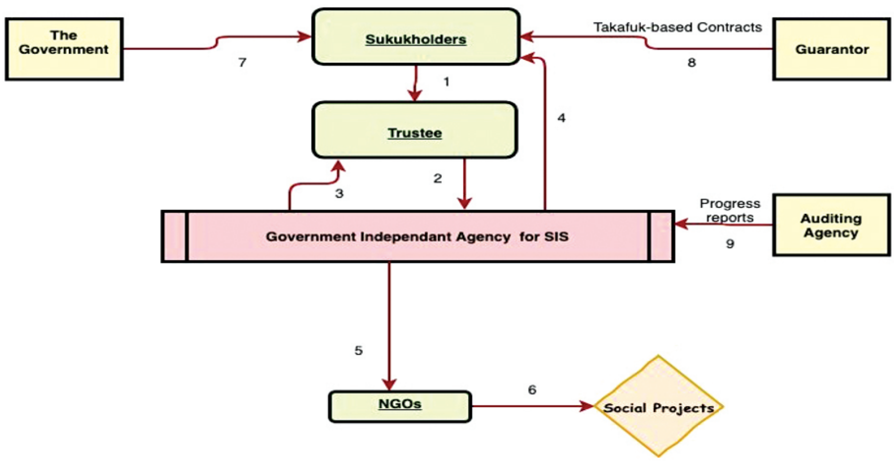
Another issue that needs to be addressed is the quantification of the service objective of a *mudarabah* contract in order to value the profit/loss that shall be shared under the contract. In many cases, the direct and immediate economic benefit is missing in the public sector. For example, if a school is built in a village the efforts involved in this investment can be easily identified: all costs incurred for the construction, the material basis, the wages, etc. However, direct economic profit is hardly measured, which in the case of a Profit and Loss-Sharing contract is primordial. These types of critical public services cannot be provided by the private sector because it does not hold the economic power to sustain them. Their majority brings no profit so there is no interest in providing such services from the private sector; not in the least, it would be quite a great risk for the people that these services belong to the private sector (Scutaru, 2009).

Efficiency in the public sector must combine both economic and social efficiency. In addition, the time horizon must be adapted as most private projects seek a short-term return while the investment horizon in the public sector is long. The difficulty of measuring efficiency in the public sector is largely caused by the inability to quantify accurately the effects (outputs). This related to the fact that efficiency's outcomes are both direct and indirect due to the externalities they generate.

Indeed, efficiency is given by the ratio of inputs to outputs. Using allocative efficiency that requires a cost/benefit ratio, the effectiveness implies a relationship between outputs and outcomes. In this sense, the distinction between output and outcome must be made. For example, for education, an output is represented by the degree of literacy while the outcome can be the level of education of the active population of that country. Thus, the effects resulted from the implementation of a program (outcomes) are influenced by the results (outputs) as well as by other external factors (Mihaiu et al., 2010).

Hence, we have combined all conditions for a *Shari'ah*-compliant *mudarabah*-based scheme for Social Impact Sukuk. The proposed model is presented in Figure 3.

Figure 3
Proposed structure for SIS



Source: The authors

The procedure of SIS issuance would start by the identification of socio-economic projects and their implications for the community. Examples of projects would include hospital and school buildings, orphanages, elder care foster homes, and refugee programs. The issuance will be initiated by public trust or a central governmental agency depending on the country's regulatory framework.

The detailed process is explained as follows:

1. The first step would the creation of a Trust (depending on whether the country's judicial system allows the creation of such entities. For example, the French judicial system replaces trust with *ad hoc* entities instead of Trust entities acting on behalf of the sukuk holders). We shall note that this procedure may vary depending on each country's legal framework.

2. The Trustees will then enter into a trust agreement with the government leading agency, which should claim independence from the executive power and from any other entity created for this matter.

3. The government agency shall enter through a *mudarabah* contract with local NGOs selected to implement the social project.

4. The government agency for SIS issuances will then issue sukuk after identifying the project and the capital required.

5. The proceeds, collected by the Trustee, will be disbursed to the *mudarib*-NGO through the government agency on a specific timeline according their needs.

6. The NGO shall then undertake its program under well-specified technical specifications in order to avoid any wrong-doing or delays in the project.

7. Following the execution of the project, an outcome study shall be conducted by independent experts in order to determine if the project reached its designed goals (economic efficiency). The returns will be then granted to the sukuk holders by the government.

8. We can suggest a guarantee modality to further enhance the structure by a Guarantor(s). He/they shall provide an unconditional and irrevocable guarantee in favor of the sukuk Trustees for and on behalf of the sukuk holders to guarantee the government agency's financial obligation.

9. Eventually, an auditing entity can be pointed by either the Trustees or the legislative power of the country to ensure financial and operational transparency of the SIS agency.

Ultimately, the burden on the State will be optimized through a bilateral partnership between the State and private organizations. This concept will considerably improve the quality of social services and raise human development within Muslim communities.

Challenges to Implement Social Impact Sukuk

One of the main advantages of the Social Impact Bond is that charities get to use a "black box" approach through implementing whatever approach they see fit for their project. However, this situation creates another challenge for SIBs in the sense that poor governance mechanisms and low expertise may invert the outcomes. Hence, government agencies should always be present through monitoring and tough governance regulation to ensure that funds raised are efficiently used. Eventually, this mode of operation is widely encouraged under outcomes-focused commissioning as NGOs tend to have the best outlook on the real solution to be undertaken for current social problems. Furthermore, the issue of rigid monitoring and a well-established *modus operandi* generates transaction costs that place additional constraints on implementing the tool efficiently (Roy et al., 2018).

Another challenge facing the implementation of SIS in Muslim countries is the lack of a State framework for efficient public management. In fact, studies have shown that the State can be run by rational agents seeking to protect their own interest rather than benevolent administrators ((Buchanan, 1968); Niskanen, 1971). This framework proposes that the quality of public administration can be enhanced through productivity gains, like any other private organization. Indeed, SIS meets the objectives of this framework set up by (Dunleavy et al., 2006), mainly, disaggregation, competition, and incentivization. Nevertheless, the state of public finance management in Muslim countries is still based on traditional Keynesian tools, with heavy State interventionism that impedes general implementation of Social Impact Sukuk.

This point might trigger an issue of financialization and privatization of social and public policy, which reduces the rights of citizens both as service users and as a polity; however, having only Muslim investors as components of the SIS structure will avoid this problem. Indeed, the motivation of Muslim investors through their religious commitments toward their communities will eventually align their goals with the general welfare of Muslim communities.

One the main reason why the Social Sukuk, like Social Impact Sukuk and SRI Sukuk, has not been generalized through the Muslim world is the centralization of the process. Indeed, government agencies are a crucial component of the model; however, initiation of the issuance process must be delegated to local NGOs as they are the ones with the best knowledge of the social challenges.

Conclusion

The current international context becomes more urgent concerning conversion to a socially responsible economic model. The proposed structure of Social Impact Sukuk seems to address perfectly this problem in a way that offers to cover social needs under a profitable investment for investors, thereby solving both social and State budget limits.

Hence, financial instruments would no longer be oriented exclusively toward profitable projects selected based on their EVA etc. but would conciliate social responsibility and profit making.

Standardizing SIS would be the main challenge to implement it in reality as sukuk, in general, tends to involve highly structured and complicated instruments. It is within the government's burden to bear this task as it will only bring significant benefits for all stakeholders including the State itself. That is to say that project like the preservation of life of homeless people and the improvement of their quality of life and the preservation and promotion of mind/intellect of youth relate directly to the *dharuriyyat* (necessities) of *Maqasid al Shari'ah*. The SISs in these cases is based directly on principles that promote socio-economic justice, the repulsion of harm as well as encouraging the practice of ethics and morality in financial practice.

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