TUJISE Turkish Journal of Islamic Economics
Book Reviews

Andreas Andrikopoulos, *The Essentials of Social Finance*, London: Routledge, 2021, 214 p.

ISBN 9781032136608

Reviewer: Burak Çıkıryel

The book is divided into two main parts. In the first, the author examines the social economy and its key components, including social finance and social entrepreneurship. The second focuses on investment processes, financial intermediation, and financial innovation, which play important roles in decision-making. The primary aim is to show how social impact and profitability jointly influence the financing of investment projects. This review first provides a summary and then offers a critical evaluation.

The first chapter introduces social entrepreneurship and highlights its distinguishing characteristics compared to conventional entrepreneurship. Its core objective is to create and use opportunities to generate social value through the production of public goods. This focus on social value does not mean such enterprises disregard profitability; rather, they see financial sustainability as necessary to support operations. Thus, profit and social impact are complementary, with social impact primary. The chapter stresses that social entrepreneurship occupies a position between the private and public sectors, seeking to enhance social welfare and contribute to environmental preservation by creating public goods.

Asst. Prof. Dr., Social Sciences University of Ankara, burak.cikiryel@asbu.edu.tr, 0000-0003-0009-6252

Çıkıryel, B. (202x). Book review [Review of the book The Essentials of Social Finance] Turkish Journal of Islamic Economics, xx(x), xx-xx.

DOI: 10.26414/BR502
TUJISE, 12(2), 2025; 12(2): 222-226.
tujise.org

The second chapter provides a framework for understanding social finance. It defines social finance as a set of processes, decisions, and institutions involved in financing the production of public goods through private sector participation. It then examines institutions engaged in social finance and their social impacts, including microfinance institutions, venture philanthropy, social impact bonds, crowdfunding platforms, and socially responsible investments. It also identifies the main participants in social finance, including capital providers and recipients, and outlines the regulatory framework and the overall flow of financial resources within the system.

Chapter three introduces microfinance, drawing on global experiences to show the sector's institutional development. It highlights the dual nature of microfinance, which pursues profitability alongside social objectives such as poverty reduction and economic growth. The chapter emphasizes the importance of effective contract design to address lending challenges, including information asymmetry and moral hazard. It emphasizes innovative approaches, including frequent repayment schedules, public payment collections, group lending models, and dynamic incentives. It concludes that a proper regulatory framework and careful management of conventional banking's interventions in the sector are crucial for resolving industry issues and for learning from weaknesses.

Chapter four discusses venture philanthropy, beginning with its definition and how it differs from conventional philanthropy. To illustrate its operational dynamics, the chapter presents case studies from the United States, Europe, and Asia. It then offers several critiques. First, it notes the paradox that pioneers of venture philanthropy, although making impact investments to address economic inequality, are often seen as contributors to that inequality. Second, it points out that the true societal impact of these investments is difficult to quantify and observe, and the emphasis on financial returns can conflict with the traditional spirit of philanthropic public good production. It also notes that there is no conclusive evidence proving the superiority of venture philanthropy over state-led production of the same public goods. Finally, while the social impact initiatives of venture philanthropy may lack a comprehensive scope, the government holds the budgetary and political responsibility to address such problems from a more holistic perspective.

Chapter five discusses social impact bonds and explains how partnerships between the private and public sectors can be formed around social policy issues. It argues that social problems can be addressed to achieve social and welfare objectives through appropriate policy design and the use of financial innovation. The chapter then outlines advantages and disadvantages. On the positive side, it emphasizes social innovation, expansion of the impact capital market, production of public goods, and profit potential. On the negative side, it highlights challenges in impact measurement, suboptimal provision of public goods by the private sector, competition and overlap with other public goods contracts, and the overall complexity of these instruments.

Chapter six introduces crowdfunding. It defines the concept and explains its main types: donation-based, lending-based, reward-based, and equity-based crowdfunding, while also noting hybrid forms that combine features of different models. The chapter highlights advantages, including geographical dispersion of investments, broader support for innovative projects, public evaluation and legitimization of projects, faster capital and information flows, the creation of moral support and legitimacy, and the provision of an alternative platform to conventional capital markets. It also notes disadvantages such as illiquidity, moral hazard, high default risk, asymmetric information, vulnerability to financial crises, and concerns about platform credibility. It argues that an effective regulatory environment can expand opportunities and benefits while mitigating these risks.

Chapter seven introduces Islamic finance as a component of social finance. The author classifies Islamic finance as social finance because it is not solely driven by profit but is explicitly oriented toward social improvement. The chapter outlines the main pillars of Islamic finance, with particular emphasis on the prohibition of interest. It highlights the social responsibility of business organizations, the specific nature of Islamic financial services, their impact on welfare in Islamic countries, and the implementation of Shariah principles in entrepreneurship as key aspects distinguishing Islamic from conventional finance. To demonstrate its social impact, the author examines zakat, one of the core instruments of Islamic finance. The chapter argues that financial practices grounded in Islamic principles—such as social solidarity, transparency, honesty, and justice—together with the exclusion of sectors like gambling, alcoholic beverages, tobacco, and weaponry (as in conventional socially responsible investment), support the characterization of Islamic finance as a form of social finance.

Chapter eight discusses the quantitative assessment of impact investments. It argues that measuring impact strengthens the organizational structure and planning processes of social ventures. The chapter provides information on the structure of measurement systems, issues encountered in measurement, the role of quantitative approaches, various measurement mechanisms, and how measurement practices are reflected globally. Although many actors are involved in impact investments that address social problems, the benefit of citizens should remain the primary concern, supported by an appropriate regulatory framework. The chapter further states that organizational performance and accounting status play a significant role in enhancing the effectiveness of impact investments. In addition, stakeholder trust and the development of effective measurement systems can encourage individuals to support social investments and thereby increase positive outcomes.

Overall, the language of the book is generally clear and accessible for the intended audience, although occasional long sentences and minor grammatical inaccuracies at times make comprehension more difficult. The structure of the book appears appropriate, and its central argument is largely consistent with the overall thesis, beginning with the definition of the social economy and then its instruments. However, the chapter on measuring impact investments could arguably have been placed in a separate section, as measurement functions more as an evaluative framework than as an instrument, and the discussion partly extends beyond the stated scope.

The two main parts of the book are interconnected, and there is a reasonable degree of coherence across the chapters. Although the information presented has practical implications, the range of concrete tools and recommendations offered to policymakers and market participants remains somewhat limited. In addition, the content could have been further enhanced through the inclusion of more visual materials—such as figures, tables, and diagrams—which might have made the presentation more engaging and accessible.

In the second part of the book, various instruments with social impact are introduced. Each chapter in this section begins by defining the instrument and then explaining how it relates to the social economy. However, in some instances, the discussion of these instruments remains rather superficial and incomplete. For example, the chapter on Islamic finance focuses primarily on zakat as one social finance instrument of Islamic finance, while giving limited attention to other important social finance instruments within Islamic finance, such as qard al-hasan, charitable giving, and waqf (foundations).

Overall, the book adopts a predominantly descriptive approach and does not engage in an in-depth analysis of the topics covered. Although much of the information presented can be found in other studies or online sources, the book's main contribution lies in bringing together a wide range of social finance impact instruments within a single volume. In this respect, as noted in the preface, it has the potential to serve effectively as a textbook at various university levels. Nonetheless, the material appears somewhat basic for postgraduate students, as the book concentrates on fundamental concepts and does not critically examine how the limitations of these instruments might be addressed or what additional contributions and advancements could be made.

For the next edition, the author is recommended to provide a more concise synthesis of existing knowledge, avoid unnecessary repetition of well-established ideas, and offer a deeper critical analysis of the literature in order to make the book more suitable as a graduate-level textbook. In addition, the book reflects certain ideological positions that are not aligned with social norms in many parts of society and should be avoided. For example, the author approaches homosexuality from a perspective in which it is regarded as a segment of society, and their exclusion can cause social problems, and it can be subject to social enterprises. This perspective is ideologically biased and maintains a certain abnormal outlook. However, he can suggest that their existence could cause social problems such as ruining family institutions, degeneration of lineage, and various diseases, and their treatment and rehabilitation can be subject to the social enterprises.