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ISLAMIC SOCIAL FINANCE AND *TAKAFUL*: A *MAQASID* APPROACH TO POVERTY ALLEVIATION

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ABSTRACT

This paper explores the intersection between Islamic social finance and *takaful* through the lens of *maqasid al-shari'ah*, with a specific focus on their potential for poverty alleviation in Nigeria. Although Islamic financial tools such as *zakat, waqf,* and *qard al-ḥasan* have long been used to address social inequality, their impact is often limited by fragmentation and lack of integration with risk protection mechanisms like *takaful.* At the same time, Nigeria's *takaful* sector remains underdeveloped and underutilised, failing to serve vulnerable and low-income populations effectively. Drawing on classical and contemporary scholarship, this study employs a qualitative doctrinal method grounded in *maqasid* theory to assess how *takaful* can be fused with broader social finance instruments to achieve more holistic, *shari'ah*-compliant poverty mitigation.

Through an interdisciplinary review of literature and policy frameworks, the paper argues for a unified Islamic social protection model that integrates redistributive tools (*zakat* and *waqf*) with risk-sharing mechanisms *(takafu*l). This *maqasid*-driven model promotes *hifz al-mal* (protection of wealth) and *h*ifz *al-nafs* (protection of life) while ensuring sustainability and justice. The discussion highlights that a coordinated *takaful–zakat–waqf* framework would enhance financial inclusion, reduce systemic vulnerabilities, and fulfil the higher objectives of the s*hariʿah* more effectively. The paper recommends policy realignment, regulatory reform, and public awareness strategies to facilitate this integration within Nigeria's Islamic financial ecosystem.

[83] Billah, M. M. (2019). *Takaful Models: A Comparative Study of Their Evolution and Structure*. In M. Obaidullah (Ed.), *Islamic Finance: A Practical Guide* (pp. 191–210). Kuala Lumpur: ISRA International.

Keywords: Islamic social finance, *takaful*, *maqasid al-shariʿah,* poverty alleviation, *zakat*, *waqf*, Nigeria

1. Introduction

The persistent challenge of poverty in many Muslim-majority societies, including Nigeria, demands innovative, values-based solutions rooted in Islamic principles. While modern economic systems have produced significant growth, they have not succeeded in eliminating systemic poverty or ensuring equitable risk protection for vulnerable populations. Islamic economic theory, with its emphasis on justice (*ʿadl*), compassion (*rahmah*), and social solidarity (*taʿawun*), offers a distinctive framework for addressing these gaps—especially through the deployment of Islamic social finance instruments such as *zakat, waqf, and takaful*.[84]

Islamic social finance is grounded in the principles of redistribution, risk-sharing, and mutual support, which collectively reflect the higher objectives of the *shariʿah* (*maqasid al-shariʿah*). These objectives, including the preservation of life (h*ifz al-nafs*), wealth (h*ifz al-mal*), and dignity (h*ifz al-ird*), provide the ethical and legal rationale for institutional mechanisms that not only alleviate poverty but promote sustainable development.[85] However, while the institutionalization of *zakat* and *waqf* (endowment) in Muslim societies has gained traction, the role of *takaful* (Islamic cooperative risk protection) remains under-explored in the context of social finance and poverty alleviation.

Takaful, as a s*hariah*-compliant alternative to conventional insurance, is often treated as a standalone financial product within Islamic finance markets.[86] Yet, in light of its intrinsic principle of mutual cooperation (*taʿawun*), it holds enormous potential when fused with *zakat* and *waqf* to construct integrated Islamic safety nets. This integrated approach has gained scholarly attention in Southeast Asian contexts but is significantly underdeveloped in Sub-Saharan Africa, particularly Nigeria.[87] Although the legal and regulatory frameworks for *takaful* exist in Nigeria, the operational and

[84] Haneef, M. A., Pramanik, A. H., Mohammed, M. O., & Amin, M. F. (2015). Integration of Waqf and Islamic Microfinance for Poverty Reduction: A Survey in the Klang Valley, Malaysia. *Journal of Islamic Finance, 4*(1), 1–14.
[85] Zauro, N. A., Saad, R. A. J., Ahmi, A., & Yahya, M. H. (2020). The Potentials of Waqf and Islamic Microfinance in Enhancing Financial Inclusion and Socio-Economic Justice in Nigeria. *Journal of Islamic Accounting and Business Research, 11*(7), 1379–1398. https://doi.org/10.1108/JIABR-05-2019-0097
[86] Dusuki, A. W. (2011). Empowering the Poor Through Islamic Financial and Social Institutions. *International Journal of Social Economics, 38*(3), 220–231. https://doi.org/10.1108/03068291111105161
[87] Wikipedia contributors. (2025). *Challenges in Islamic finance*. In *Wikipedia*.

conceptual linkage between *takaful* and other Islamic social finance tools remains weak or nonexistent.[88]

This paper seeks to address this gap by re-examining the relationship between *takaful* and Islamic social finance through the lens of *maqasid al-shari'ah*. By analysing how *takaful* can be embedded into broader socio-economic systems aimed at poverty reduction, the study advances a model of Islamic social protection that transcends charitable giving or isolated financial services. In doing so, it responds to a growing scholarly call for the development of a **holistic, integrated Islamic social finance ecosystem** that is aligned with both the ethical imperatives and operational realities of Muslim-majority contexts.[89]

2. Statement of the Problem

Despite meaningful progress in Islamic finance, Nigerian Muslims continue to face significant structural and practical barriers that undermine the full realization of Islamic social welfare

Conventional financial systems based on interest (*riba*) exclude many Muslims. In several northern regions, over 60% of adults are unbanked or underbanked, with limited access to s*hari'ah*-compliant products[90]. Though *zakat, waqf*, and *qard al-hasan* (benevolent loan) have been used to fill welfare gaps, these mechanisms have rarely connected to structured insurance or risk-protection tools[91]. Consequently, households vulnerable to shocks, such as illness, crop failure, death, or loss, remain unprotected.

At the same time, Nigeria's *takaful* industry remains nascent. The *Takaful* Operational Guidelines introduced in 2013 and the establishment of *shari'ah* advisory panels have not resolved core issues of regulatory fragmentation, limited public understanding, and low product diversity[92]. Corporate clients dominate policies, while individual households, especially from rural and low-income sectors, remain

[88] Abubakar Zauro, N., Jaffri Saad, R. A., Ahmi, A., & Yahya, M. (2020). Integration of Waqf towards enhancing financial inclusion and socio-economic justice in Nigeria. *Emerald Insight*.
[89] Shettima, U. (2025, June 1). "Islamic finance holds more potential for Nigeria beyond non-interest, Sukuks," *PunchNG*
[90] Ihesiulo, G. (2019, December 23). Challenges of takaful uptake in Nigeria, *Daily Times Nigeria*.
[91] "Challenges of Takaful and the future of Nigeria's insurance sector," *Daily Times Nigeria* (2019).
[92] Haneef, M., Naveed, A., & Rauf, M. (2015). Integrated waqf-giving model: Case study from Bangladesh, *Journal of Islamic Philanthropy*.

unreached[93]. *Takaful* has not been meaningfully integrated into *zakat* or *waqf-funded* social safety nets[94].

Although integrated Islamic social finance ecosystems have been advocated in other contexts, such as Bangladesh and Malaysia[95], Nigeria lacks coordinated frameworks that fuse *takaful* with *zakat* and *waq*f to create comprehensive, *maqasid*-driven safety nets. Islamic banks, while exploring *sukuk* (Islamic bonds) and *waqf* investment accounts, seldom include *takafu*l in their socio-economic programming. The existing landscape remains siloed: z*akat* funds focus on immediate relief; *waqf* targets education and infrastructure; microfinance supports micro-enterprises—yet none include risk-sharing mechanisms that *takaful* could provide.

This fragmentation presents a twofold challenge:

- Financial inclusion must go beyond credit availability to incorporate access to risk-protection, which *takaful* offers; sole reliance on redistribution and financing fails to protect livelihoods.
- Integrated *takaful–zakat–waqf* models, proven effective elsewhere, remain largely absent in Nigeria's Islamic finance architecture despite formal structures and stakeholder interests[96].

Thus, the problem statement evolves: How can Nigeria integrate *takaful* into its Islamic social finance infrastructure, alongside *zakat* and *waqf,* to deliver comprehensive, *maqasid* aligned social protection, enhance financial inclusion, and reduce vulnerability among marginalized Muslim communities?

3. Research Methodolgy

This study adopts a qualitative doctrinal research methodology, grounded in Islamic legal theory and the framework of *maqasid al-shariʿah,* to examine the role of *takaful* within Islamic social finance as a mechanism for poverty alleviation in Nigeria. Doctrinal research is particularly suitable for this

[93] Tukur, A. (2025, June 1). Noor Takaful VC on industry growth and fragmentation, *PunchNG;* Dikko, M., & AbdulGhani, A. B. (2015). *Maqasid Al-Sharia and Takaful Operations*: Issues and Challenges in an Emerging Industry. *Journal of Law, Policy and Globalization, 47*, 22–37.
[94] Abdullah, S. (2015). The Objectives of Takaful and Shariah: Towards the Achievement of Maqasid Shariah. *Journal of Human Capital Development*, 8(1), 93–104.
[95] Abdullah, S. (2015). The Objectives of Takaful and Shariah: Towards the Achievement of Maqasid Shariah. *Journal of Human Capital Development*, 8(1), 93–104.
[96] Usama T, Rashid A R, & Atiquzzafar. (2021). Evaluation of Contemporary Takaful Practices from the Perspective of Maqasid al-Shariah. *Journal of Islamic Business and Management, 11*(2), 45–69.

inquiry, as it focuses on the systematic analysis of legal principles, normative frameworks, and scholarly interpretations rather than empirical measurement. Given that the paper interrogates conceptual alignment, ethical objectives, and regulatory structures, a doctrinal approach allows for an in-depth examination of both classical Islamic jurisprudence and contemporary Islamic finance scholarship.

The research draws upon primary and secondary sources. Primary sources include classical juristic writings on *maqasid-al-shariʿah*, notably the works of al-Ghazali and al-Shaṭibi, which provide the normative foundation for assessing the legitimacy and objectives of Islamic financial instruments. Secondary sources consist of contemporary academic literature on Islamic social finance, *takafu*l operations, *waqf* governance, and poverty alleviation, as well as policy documents, regulatory guidelines, and institutional reports relevant to Nigeria's Islamic finance landscape.

An analytical and evaluative method is employed to assess the extent to which existing *takaful* practices align with the higher objectives of *shari'ah,* particularly *hifz al-nafs* (protection of life), h*ifz al-mal* (protection of wealth), and *hifz al-ird* (protection of dignity). The study critically examines the structural and operational separation between *takafu*l and other Islamic social finance instruments, such as *zakat-based* funds and *waqf,* highlighting areas of normative convergence and institutional disconnect.

In addition, the paper adopts a comparative and contextual approach, drawing lessons from jurisdictions such as Malaysia, Indonesia, and Bangladesh, where integrated models of Islamic social finance and micro-*takaful* have been implemented. These comparative insights are not treated as prescriptive but are analytically adapted to Nigeria's socio-legal, regulatory, and religious context.

The methodological framework is therefore interdisciplinary, combining Islamic legal analysis, finance ethics, and development-oriented policy review. While the study does not rely on empirical field data, its doctrinal nature is justified by the objective of proposing a normative, *maqasid*-aligned model capable of informing future regulatory reforms, institutional design, and empirical investigation within Nigeria's Islamic finance ecosystem

4. *Maqasid al-Shariʿah* and *Takaful*: An In-Depth Exploration

4.1 The Five Essentials of *Maqasid & Takaful's* Role

Maqasid al-shariʿah, classically summarized by al-Ghazali, identifies five essential objectives of *shari'ah* (legislation) *(ḍaruriyyat*): protection of religion *(din)*, life *(nafs*), intellect (*ʿaql)*, lineage *(nasl),* and wealth *(mal)*[97]. *Takaful,* with its cooperative structure, is well-positioned to promote these objectives:

- ***Din* (Religion)**: By operating under s*hari'ah*, avoiding *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling), *takaful* aligns formally with religious precepts. Scholars note *takaful's* emphasis on mutual help (*taʿawun*) and shared responsibility (*ukhuwwah*) reflect core Islamic values. Notably, Syahida Abdullah(2015)[98] argues that *takaful* embeds Islamic reciprocity directly into its structure.

- ***Nafs* (Life)**: The protection and coverarge of risks attached to health and the incidence of death underpin *takaful's* purpose as it safeguards individuals and families from the devastating effects of death, disability, and illness. Usama Tahir et al(2021)[99] highlight this role of *takaful* as a primary *shari'ah* objective.

- ***ʿAql* (Intellect)**: Modern *takaful* models, especially in Malaysia (e.g., education-linked plans), support intellectual development. Yurina Fisol et al(2017)[100] critically analyzed *takaful* product innovations that fund education and agree that it shows alignment with *ʿaql* protection.

- ***Nasl* (Lineage) & *Mal* (Wealth):** By pooling contributions *(tabarruʿ*) to offer coverage that supports inheritance and family continuity, *takaful* mitigates economic shocks that might otherwise jeopardize lineage. *Takaful* is a wealth-protection mechanism consistent with *maqasid* aims[101].

These ethical foundations allow *takaful* to serve not merely as an insurance alternative but as a **faith-based social protection mechanism**.[102] For instance, micro-*takaful* schemes targeting low-income

[97] Fisol, W. N. M., Haji-Othman, Y., Cheumar, M., & Ahmad, A. (2017). *Financial planning instruments based on Maqasid Shariah*. Journal of Islamic Business and Management.
[98] Abdullah, S. et al. (2012). Risk Management via Takaful from a Perspective of Maqasid of Shariah. *Procedia – Social and Behavioral Sciences*, 65, 535–541.
[99] Haneef, M. A. (2016). *Integrating Waqf and Islamic Microfinance for Poverty Reduction*. In A. Sadeq (Ed.), *Development and Finance in Islam* (pp. 85–102). Petaling Jaya: IIUM Press
[100] Ahmed, H. (2004). *Role of Zakat and Awqaf in Poverty Alleviation*. Jeddah: IRTI-Islamic Development Bank.
[101] Dikko, M., & AbdulGhani, A. B. (2015). *Maqasid Al-Sharia and Takaful Operations*: Issues and Challenges in an Emerging Industry. *Journal of Law, Policy and Globalization, 47*, 22–37.
[102] Abdul Karim, S. (2010). Contemporary Islamic Finance and the Role of Waqf and Zakat. *Journal of Islamic Economics, Banking and Finance*, 6(4), 27–42.

households have been deployed in Malaysia and Indonesia as part of broader national poverty alleviation strategies.[103] These models emphasise inclusion, resilience, and social solidarity—principles enshrined in the *maqasid*.

However, many commercial *takaful* operators in Nigeria and elsewhere have not fully embraced this ethical-social orientation[104]. They mirror conventional insurance in structure and target market, thus narrowing their utility in addressing vulnerability and inequality. Integrating *takaful* more explicitly into the Islamic social finance framework, where contributions could be subsidised by *zakat* or *waqf*, would allow for the realisation of its full *maqasid*-based potential.[105]

Therefore while theoretical alignment exists, critical scholarship reveals discrepancies:

- **Profiteering tension**s: Usama et al(2021)[106]. caution that some *takaful* providers prioritize profitability, undermining justice (*ʿadl)*, fairness (*insaf*), and mutual support which are core *maqasid* values. They assert that this commercial focus falls short of the deeper moral obligations embedded in *takaful*[3].
- **Governance shortcomings:** Studies of existing corporate governance structures illustrate that *takaful* operations often lack sufficient participant agency, transparency, and equitable surplus distribution thus raising questions about compliance with *maqasid* principles[107]
- **Legal and structural hurdles**: Dikko & Abdullah (2015)[108], evaluating Nigeria, found the existence of inadequate legislation, weak Shariah governance, and limited practitioner training. All of which impair the realization of the *maqasid* goals which are inherent in the proper implementation of *takaful*.

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[103] Usama Tahir, A. R. Rashid, & Atiquzzafar. (2021). Evaluation of Contemporary Takaful Practices from the Perspective of Maqasid al-Shariah. *Journal of Islamic Business and Management, 11*(2), 45–69.

[104] Maryam Dikko(2019). *Corporate Governance and Takaful: A Look at the Law(s) Regulating the Takaful Industry in Nigeria*. 2nd World Islamic Economics & Finance Conference (WIEFC-2019) 5th & 6th January, 2019 at Pearl Continental Hotel Lahore.

[105] Dikko, M., & AbdulGhani, A. B. (2015). *Maqasid Al-Sharia and Takaful Operations*: Issues and Challenges in an Emerging Industry. *Journal of Law, Policy and Globalization, 47*, 22–37.

[106] Marina Abu Bakar et al (2023). Waqf-Takaful Death Compensation ans Sustainable Development Goals (SDGs): A Preliminary Review. *International Journal of Business an Social Science, Vol 14 No 3 p15-28*

[107] Muhamat, Amirul Afif & Ali Azizan, Norfaridah. (2022). Takafultech reflects the Maqasid al-Shariah ethos in takaful. 10.4324/9781003262169-14.

[108] Fisol, W. N. M., Haji-Othman, Y., Cheumar, M., & Ahmad, A. (2017). *Financial planning instruments based on Maqasid Shariah*. Journal of Islamic Business and Management

Despite these shortcomings,there are encouraging developments:

- *Waqf–takaful* hybrid models have been developed and Marina Abu Bakar et al(2023)[109] document how *waqf*-endowed death benefits in Malaysian takaful affirm *maslahah* and support *nasl* through social safety nets aligned with *maqasid*
- Tech integration *(Takaful*Tech): Fintech innovations, termed *Takaful*Tech, are enhancing transparency, participant engagement, and operational efficiency. These technological innovations strengthen governance (*waadih*) and realize *maqasid* ideals within *takaful* frameworks[110].

5. Islamic Social Finance: Definition, Concepts & Core Principles

Islamic social finance refers to a range of s*hari'ah*-compliant financial instruments *(zakat, waqf, qard al-hasan,* microfinance, *sukuk, and takaful)* designed to promote social welfare and equitable access to resources. As Fisol et al (2017) [111] define it, it is "a form of co-operative investment which offers financial return and also social gain," uniting philanthropy with sustainable development. Rooted in al-Shaṭibīis *maslahah* framework, these tools seek both societal benefit and ethical integrity[112]. Its concepts and core principles include the following:

5.1 Risk-Sharing & Co-operation

One of the key core principles at the heart of Islamic social finance i*s ta'awu*n (cooperation) and risk-sharing as profit (and loss) sharing structures such as *mudarabah* and *musharakah* replace exploitative interest. Dusuki and Bouheraoua(2011)[113] emphasise this cooperative paradigm that can create institutions which can support under served clients in an ethical, shared-risk fashion, distinguishing

[109] Fisol, W. N. M., Haji-Othman, Y., Cheumar, M., & Ahmad, A. (2017). *Financial planning instruments based on Maqasid Shariah*. Journal of Islamic Business and Management.
[110] Dusuki, A. W. D., & Bouheraoua, S. (2011). The Framework of Maqasid al-Shari'ah and Its Implication for Islamic Finance. *ICR Journal, 2*(2), 316–336.
[111] Fisol, W. N. M., Haji-Othman, Y., Cheumar, M., & Ahmad, A. (2017). *Financial planning instruments based on Maqasid Shariah*. Journal of Islamic Business and Management.
[112] Shaikh, M. I., et al. (2017). Waqf as a Social Finance Tool. *International Journal of Management and Applied Research, 8*(2), 146–160.
[113] Value-Based Intermediation. Foundations of Creativity in Malaysia Madani (2021)

them from interest-dependent systems. Even *zakat* and *waqf* can and do serve as community insurance against poverty.

5.2 Ethical Redistribution of Wealth & *Maslahah* (public interest)

Islamic finance has, as a basic precept, the ethical redistribution of wealth and the imperative of ensuring economic fairness in the society. Thus it strictly forbids *riba, gharar*, and unethical investments, instead directing resources toward essential services and socially beneficial sectors. For this reason, Fisol *et al(2017)*[114]. note how *waqf*-funded projects and social *sukuk* are designed to yield both financial returns and social benefits, maximizing *maslahah* while ensuring economic sustainability. Shaikh *et al(2017)*[115]. also advocate that cash *waqf* can finance infrastructure and education in underserved regions.

5.3 Socio-Economic Inclusion

Social finance is an inclusive engine which seeks to ensure all members of a community are included and benefit form the established financial system. Malaysia's *Value-Based Intermediation (VBI)* embeds *takaful,* microfinance, and *zakat* within a framework designed to uplift vulnerable communities[116]. Noor Azli *et al (2021).*[117] have also shown that *maqasid*-financed micro-enterprises and *waqf* projects help reduce poverty, boost education, and build resilience.

With these concepts in mind, Islamic social finance succeeds when the following principles are realised

a. Governance & Accountability

Effective implementation demands robust governance and several researchers have highlighted this. Dusuki and Bouheraoua (2011)[118] recommend integrating *maqasi*d into institutional practices, with transparent *shari'ah* oversight and accountability mechanisms while Asutay(2007)[119] warns that

[114] Noor Azli, et al. (2021). Microfinance Development in Malaysia. *IJLTEMAS*.
[115] Dusuki, A. W. D., & Bouheraoua, S. (2011). The Framework of Maqasid al-Shari'ah and Its Implication for Islamic Finance. *ICR Journal, 2*(2), 316–336.
[116] Asutay, M. (2007). Critical Views on Institutional Islamic Finance Ethics. *Journal of Business Ethics, 25*(3), 219–232.
[117] Ishak, M. S. I., & Nasir, N. S. M. (2021). Maqasid al-Shari'ah in Islamic Finance: Harmonising Theory and Reality. *Journal of Muamalat and Islamic Finance Research, 18*(1), 108–119.
[118] Hussain, S. (2025). Discourse and Inclusion of Maqasid al-Shari'ah in Islamic Economics and Finance. *Journal of Contemporary Study of Islam, 5*(1), 5–31.
[119] Lithwick, W. N. M. F., & Fisol, W. N. M. (2021). Toward Hybrid Models in Islamic Social Finance. *Journal of Islamic Social Finance*

without *maqasid*-based governance, instruments risk becoming "s*hari'ah*-wrapped" commercial products lacking substantive social impact. On the pathway to achieving this, the Islamic Financial Services Board (IFSB) has set global governance standards to promote s*hari'ah* compliance and financial responsibility.

b. Alignment with *Maqasid al-Shariʿah*

Islamic social finance must achieve public interest (*al-maslahah*) and justice (*ʿadl*), while avoiding harm, a balance central to al-Shaṭibi's jurisprudencial approach to Islamic finance. Ishak and Nasir(2021)[120] argue that meaningful *maqasid* application requires more than compliance. It requires purposeful integration within financial design and evaluation. A multitude of scholars have looked at the prospects and benefits of this integration. Hussain (2023)[121] advocates for profit with purpose models, prioritizing ethical accountability and *maqasid*-aligned outcomes while Lithwick & Fisol (2021)[122] see hybrid models such as *waqf-suku*k, micro-*takaful* as scalable paths to equitable development.

6. Fusing Takaful and Social Finance: Proposed Integrated Framework for Nigeria

The integration of *takaful* into broader Islamic social finance instruments in Nigeria presents both a conceptual opportunity and a practical challenge. In theory, the principles underpinning *takaful* which are mutual guarantee (*taʿawun*), shared responsibility, and risk-sharing, are deeply complementary to the redistributive ethos of *zakat and waqf*.[123] However, in practice, Nigeria's Islamic finance ecosystem is fragmented, with isolated development of *shari'ah* supervisory boards, emerging *waqf* institutions, and a nascent but underutilised *takafu*l sector.

Efforts to fuse these instruments into a coordinated poverty alleviation framework are limited by regulatory, operational, and institutional silos. For example, although z*akat* agencies exist at state levels in Nigeria, they often function with limited transparency, lack standardisation in distribution

[120] Billah, M. M. (2019). *Takaful Models: A Comparative Study of Their Evolution and Structure*. In M. Obaidullah (Ed.), *Islamic Finance: A Practical Guide* (pp. 191–210). Kuala Lumpur: ISRA International.
[121] Abdulkadir, A. I., & Abdulkadir, Z. I. (2020). A Critical Analysis of the Administration of Zakat in Nigeria: Problems and Prospects. *Journal of Islamic Law Review, 16*(2), 57–76.
[122] Lemu, A. M. (2017). Waqf Practice in Nigeria: Legal and Institutional Issues. *International Journal of Islamic Thought, 11*(1), 33–40.
[123] NAICOM (2022). *Directory of Licensed Takaful Operators in Nigeria*. Abuja: National Insurance Commission.

mechanisms, and are largely disconnected from financial service providers, including *takaful* operators[124]. Similarly, *waqf* in Nigeria remains underdeveloped, with only sporadic implementation in educational or religious settings[125]. *Takaful*, meanwhile, is recognised under the National Insurance Commission (NAICOM) with several licensed operators, but it lacks integration with social welfare programming or Islamic endowment institutions[126].

Scholars and development experts have increasingly called for a systemic model that aligns these instruments under a shared *maqasid-aligned* strategy.[127] In Southeast Asia, particularly Malaysia and Indonesia, pilot projects have linked deserving beneficiaries to micro-*takaful* plans, funded by *zakat or waqf* revenues. These initiatives have shown promising results in protecting low-income populations from health shocks, disasters, and income loss.[128] Such models can be adapted to Nigeria's socio-religious landscape through partnerships between Islamic finance institutions, faith-based NGOs, government agencies, and the private sector.

The key to this integration lies in **institutional innovation**. One proposal is the establishment of a t*akaful-waqf* Fund managed jointly by registered *takaful* operators and state *zakat* boards. Such a fund could provide health, accident, or microinsurance coverage for poor and vulnerable groups, financed through endowment proceeds or *zaka*t allocations.[129] Another model is a *micro-takaful* cooperative, where members of a low-income community contribute small amounts regularly, supplemented by matching funds from *zakat* or *waqf*. This would ensure communal solidarity, protection, and sustainability in line with both economic and spiritual values.[130]

To operationalise these frameworks, Nigeria will require regulatory support, public-private cooperation, and *shari'ah*-compliant legal models that permit structured linkages between Islamic

[124] Obaidullah, M. (2015). *Islamic Social Finance: Toward a New Institutional Culture*. Jeddah: Islamic Research and Training Institute (IRTI), Islamic Development Bank.
[125] Hassan, M. K., & Aliyu, S. (2018). Integration of Islamic Social Finance with Takaful for Sustainable Development Goals. *ISRA International Journal of Islamic Finance, 10*(2), 225–236. https://doi.org/10.1108/IJIF-12-2018-013
[126] Haneef, M. A., & Pramanik, A. H. (2017). Design and Implementation of an Integrated Waqf-Based Islamic Microfinance Model in Malaysia. *Humanomics, 33*(4), 510–525. https://doi.org/10.1108/H-07-2017-0124
[127] Dusuki, A. W. D., & Bouheraoua, S. (2011). The Framework of Maqasid al-Shari'ah and Its Implication for Islamic Finance. *ICR Journal, 2*(2), 316–336.
[128] Auda, J. (2008). *Maqasid al-Shariah as Philosophy of Islamic Law: A Systems Approach*. London: International Institute of Islamic Thought (IIIT).
[129] Obaidullah, M. (2015). *Islamic Social Finance: Toward a New Institutional Culture*. Jeddah: Islamic Research and Training Institute (IRTI), Islamic Development Bank
[130] Haneef, M. A., Pramanik, A. H., Mohammed, M. O., & Amin, M. F. (2015). Integration of Waqf and Islamic Microfinance for Poverty Reduction: A Survey in the Klang Valley, Malaysia. *Journal of Islamic Finance, 4*(1), 1–14.

financial services and social welfare institutions. This would not only enhance financial inclusion and social protection but also actualise the higher objectives of the *shariʿah* in practice—particularly the protection of life (*ḥifz al-nafs*), wealth (*ḥifz al-māl*), and dignity (*ḥifz al-ird*)[131].

7. Discussion and Conclusion

This paper has examined the interconnection between **Islamic social finance** and ***takaful*** within the framework of *maqasid al-shariʿah*, with a focus on Nigeria. The findings suggest that while Nigeria has made progress in adopting Islamic financial instruments, especially in banking and *takaful*, there remains a **critical disconnect** between these instruments and the broader Islamic social finance ecosystem comprising *zakat, waqf,* and *qard al-ḥasan.*[132]

From a theoretical standpoint, both *takaful* and Islamic social finance share a normative foundation rooted in the ethics of mutuality, equity, and social solidarity. These values correspond with the higher objectives of the *shariʿah*, especially *h*ifz *al-nafs* (preservation of life), *h*ifz *al-mal* (protection of wealth), and *h*ifz *al-ird* (protection of dignity). However, in practical terms, these instruments are often treated in isolation, governed by different institutions with minimal strategic collaboration or shared performance metrics.

The Nigerian case presents a paradox. Despite being home to a significant Muslim population with a long history of charitable practices, Islamic social finance remains underdeveloped. Regulatory silos, weak legal frameworks for *waqf,* fragmented *waqf and zakat* administration, and limited awareness of *takaful's* social dimension have hampered holistic deployment. While financial inclusion is commonly promoted through Islamic banking and fintech innovations, the **social protection potential** of Islamic finance remains underutilised.

Moreover, empirical evidence from other Muslim-majority countries, such as Malaysia, Indonesia, and Sudan, demonstrates that integrating *takaful* with z*akat* and *waqf* can significantly enhance risk

[131] A.A. Yakub, ' An Appraisal of the Procedures for Direct Grant and Conversion of Statutory Right of Occupancy in Kaduna, Nigeria' Vol.6(10) (2014) *Journal of African Studies and Development*, p.179.

[132] I.A. Umezulike, 'The Land Use Act- a Catholic Legislation?' In, Amos Agbe Utuama (ed) *Critical Issues in Nigerian Property Law* (Lagos: Malthouse Press Ltd, 2016) 97.

mitigation for the poor, support health and education initiatives, and build sustainable welfare systems.[133] Nigeria's Islamic finance institutions have not yet fully leveraged this integrative potential.

7.1 Implications of Integrating *Takaful* with Islamic Social Finance

An important implication of this study is that *takaful* should be re-conceptualised not merely as a commercial insurance alternative but as a core component of Islamic social protection. From a *maqasid* perspective, *takaful* directly advances the preservation of life *(hifz al-nafs)* and wealth *(hifz al-mal)* by cushioning households against risks such as illness, death, disability, and income shocks. When integrated with redistributive instruments such as *zakat, waqf*, and *maqasid*-based social funds, *takaful* becomes a mechanism for preventive poverty alleviation, rather than a reactive or charitable response.

The findings imply that Islamic social finance policies in Nigeria must shift from short-term relief models toward risk-mitigating and resilience-building frameworks. *Zakat* and *waqf* programmes that provide education grants, healthcare subsidies, or livelihood support often fail to protect beneficiaries from subsequent shocks that reverse developmental gains. Embedding micro-*takaful* within these programmes would ensure continuity, sustainability, and dignity—key *maqasid* outcomes that transcend material assistance alone.

At the institutional level, this study highlights the importance of *maqasid*-based governance as an evaluative benchmark for Islamic finance operations. Rather than assessing *takaful* operators solely on profitability or technical compliance, regulators and Shariah advisory boards should incorporate social impact indicators linked to financial inclusion, outreach to vulnerable populations, and contribution to public welfare *(maslahah)*. Such a shift would realign Nigeria's *takaful* industry with its ethical foundations and enhance public trust.

From a policy standpoint, the Nigerian case underscores the need for regulatory coordination. Islamic banking, *takaful, zakat* administration, and *waqf* management currently operate under separate legal and supervisory regimes with minimal interaction. The implication is that without a unified policy vision, Islamic social finance will continue to operate in silos, limiting its effectiveness as a poverty

[133] P.E.Eshio, 'The Indigenous Land Tenure and Nationalisation of Land in Nigeria,' Vol.10(43) *Boston College Third World Law Journal,* 51.

alleviation tool. A *maqasid*-oriented policy framework could harmonise these sectors under shared objectives while respecting institutional autonomy.

7.2 Challenges of Implementation

Despite the normative and practical promise of an integrated *takaful*–Islamic social finance model, several implementation challenges remain significant.

First, regulatory fragmentation poses a major obstacle. Nigeria lacks a comprehensive legal framework governing *waqf* and Islamic social finance, while *takaful* regulation remains largely confined to insurance law without explicit social finance linkages. The absence of enabling legislation makes structured collaboration between *zakat* boards, *waqf* trustees, and *takaful* operators legally uncertain and operationally weak.

Second, institutional capacity constraints persist. Many *zakat* and *waqf* institutions operate with limited professional expertise, weak data systems, and inadequate governance structures. Integrating t*akaful* requires actuarial knowledge, risk assessment, claims management, and compliance mechanisms that may exceed current institutional capabilities, particularly at state and community levels.

Third, public awareness and perception challenges significantly affect uptake. *Takaful* in Nigeria is still widely perceived as an elite or corporate product, rather than a community-based social protection tool. Low financial literacy, mistrust of insurance, and limited understanding of risk-sharing principles impede participation by low-income households—the very groups most in need of protection.

Fourth, there are economic and sustainability concerns. Micro-*takaful* schemes targeting the poor require premium subsidies, cross-subsidisation, or *waqf* endowments to remain viable. Without careful design, such schemes risk financial instability or over-reliance on charitable funding, which could undermine long-term sustainability and public confidence.

Fifth, *shari'ah* governance and accountability challenges remain unresolved. Weak participant representation, limited transparency in surplus distribution, and insufficient disclosure practices risk reducing *takaful* to a form of "*shari'ah*-compliant insurance" devoid of substantive *maqasid* impact. Ensuring that integrated models remain faithful to ethical objectives requires robust oversight and continuous evaluation.

8. Recommendations

Drawing on the analysis of the nexus between Islamic social finance and *takaful* within the framework of *maqasid al-shari'ah*, this section presents actionable recommendations aimed at promoting a holistic, ethical, and sustainable model of poverty alleviation in Nigeria.

a. Establish Integrated Legal and Institutional Frameworks

Nigeria needs to develop a **comprehensive Islamic social finance legal framework** that facilitates collaboration among *zakat* boards, *waqf* institutions, and *takaful* operators. This framework should outline roles, governance structures, reporting mechanisms, and ethical benchmarks in line with the objectives of the *shari'ah*. A centralised regulatory body or inter-agency council under NAICOM, the Nigerian Supreme Council for Islamic Affairs (NSCIA), and the Securities and Exchange Commission could provide oversight and policy harmonisation.

b. Promote Micro-*Takaful* for Vulnerable Populations

Micro-*takaful* has proven to be a cost-effective way to extend social protection to the poor, especially informal workers and low-income households. Nigerian policymakers should prioritise the **design and implementation of subsidised micro-*takaful* schemes**, leveraging *zakat* funds or *waqf* returns as premium support. This approach aligns with the *maqasid* imperative of preserving life and wealth, while also fulfilling communal obligations of solidarity and care.

c. Create Digital Platforms for Social Finance Integration

The development of ***shari'ah*-compliant digital platforms** can enhance transparency, efficiency, and accessibility. Platforms could pool resources from *zakat, waqf, and takaful* contributions, and channel them toward targeted development goals such as education, healthcare, and disaster relief. Fintech innovations should be harnessed to facilitate real-time donations, beneficiary tracking, and cross-sector reporting.

d. Build Capacity and Public Awareness

There is a dire need for **capacity building** among *zakat* fund managers*, takaful* operators, *waqf* administrators, and policymakers. Collaborative training programmes between universities, Islamic finance institutions, and regulatory bodies will ensure that professionals are equipped with both

technical knowledge and ethical sensitivity. Public education campaigns are also essential to increase grassroots awareness of Islamic social finance mechanisms and foster trust.

e. Pilot Integrated Community Projects

It is recommended that **pilot projects** be developed in selected Muslim-majority communities across Nigeria, where *takaful* is deployed alongside *zakat and waqf* for specific social needs such as maternal health, education for orphans, or agricultural insurance. Such projects would serve as proof-of-concept for scalable, sustainable Islamic social finance systems rooted in local realities.

9 Avenues for Future Research

While this paper advances a *maqasid*-based conceptual framework for integrating *takaful* into Islamic social finance for poverty alleviation in Nigeria, it also opens several pathways for future scholarly inquiry.

First, empirical research is needed to complement the doctrinal analysis presented in this study. Future studies could employ quantitative or mixed-method approaches to assess the socio-economic impact of micro-*takaful* schemes on low-income households in Nigeria, particularly in relation to health shocks, agricultural risks, and income volatility. Such empirical evidence would strengthen policy advocacy and validate the practical relevance of *maqasid*-aligned integration models.

Second, further research could focus on institutional and regulatory design, examining how Nigerian laws governing insurance, *waqf, zakat,* and Islamic banking might be harmonised to support integrated Islamic social finance ecosystems. Comparative legal studies analysing regulatory best practices from jurisdictions with advanced *takaful–waqf* frameworks could provide valuable insights for legislative reform and policy innovation.

Third, there is scope for governance-focused research on s*hari'a*h supervision, accountability, and participant rights within *takaful* operations. Future studies could explore how *maqasid*-based governance indicators might be developed and applied to evaluate whether takaful operators genuinely fulfil their social protection mandate beyond formal *shari'ah* compliance.

Fourth, technology-driven Islamic social finance, particularly the role of fintech and *Takaful*Tech, presents an emerging research frontier. Scholars may investigate how digital platforms can enhance

transparency, inclusiveness, and trust in integrated t*akaful–waqf–zakat* systems, especially in under-served rural communities.

Finally, future research could adopt a gender-sensitive or vulnerability-based lens, examining how integrated Islamic social finance mechanisms affect women, youth, internally displaced persons, and informal sector workers. Such studies would deepen understanding of how *maqasid al-shari'ah* can be operationalised to protect dignity and social welfare in diverse socio-economic contexts.

Collectively, these avenues would move the discourse beyond normative integration toward practical implementation, impact assessment, and policy transformation, thereby strengthening the role of Islamic social finance and *takaful* as instruments of sustainable poverty alleviation.

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