

ABSTRACT
of the dissertation for the degree of Doctor of Philosophy (PhD) on the
specialty 6D050900 “Finance”

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THE SOCIAL EFFECTIVENESS OF ISLAMIC FINANCE: THEORY AND PRACTICE

The relevance of the research. The recurring financial crises of the last two decades, including those related to the Covid-19 pandemic, have demonstrated that the Islamic finance industry has suffered relatively less than the traditional financial sector. This fact not only determines the growing academic interest of researchers around the world in Islamic finance but also continues to be accompanied by heated discussions, as according to experts, Islamic financial instruments, by their social nature, are among the optimal tools for the implementation of the 17 U.N. Sustainable Development Goals.

Obviously, in the search for alternative ways out of the deepening crisis, researchers pay attention to the advantages of Islamic finance and the Islamic economy, which is designed to provide for basic human needs without neglecting moral laws and prohibitions by the interpretation of Shariah. Nowadays, all countries of the world have the opportunity to take advantage of the corporate social responsibility of the Islamic financial industry, based on particular principles of profit and loss distribution and promotion of real economic development. Among them, social solidarity through creating conditions for unity and cooperation between capital and labor, the achievement of social justice through reasonable wages, and the elimination of unemployment may become key for Kazakhstan. It is noteworthy that exactly such strategic goals of our country were repeatedly announced by the President of the Republic of Kazakhstan K.K. Tokayev.

The socially-oriented nature inherent in Islamic finance, dynamic growth in the world, as well as the untapped potential of the Islamic financial industry in the Republic of Kazakhstan determined the relevance of the proposed dissertation research. In turn, to widely use the advantages of the Islamic financial industry in solving the socio-economic problems of the population of Kazakhstan, there was a need for a theoretical and methodological justification of the social effectiveness of Islamic finance and the development of practical recommendations for their integration in the financial system of the country.

Purpose and objectives of the study. The purpose of the thesis is to study the theoretical and methodological foundations of the social effectiveness of Islamic finance and development practical recommendations for the successful implementation of Islamic financial instruments in the financial system of the Republic of Kazakhstan. For achieving this goal, the following theoretical and practical objectives have been identified:

- study and generalization of theoretical and methodological approaches to determining the social content and social functions of Islamic finance as an

economic phenomenon based on the principles of Shariah and other spiritual Muslim sources;

- clarification of the content and functions of Islamic social finance: zakat, waqf, Islamic microfinance in the context of the experience of foreign countries;

- substantiation of the methodology and methods for assessing the social effectiveness of Islamic finance based on a review of foreign and domestic scientific sources;

- the Islamic finance development trends and results analysis in the current economy of the Republic of Kazakhstan;

- identification of the Islamic finance development barriers in the Republic of Kazakhstan and assessment of their potential social effects;

- assessment of the performance of Islamic financial institutions and non-financial social organizations, their role in the social welfare of the country;

- justification of the application of financial technologies prospects to enhance the social effectiveness of Islamic finance in the Republic of Kazakhstan;

- develop the conceptual model of the institutional support for implementing the social effectiveness of Islamic finance in the Republic of Kazakhstan.

Methodology of the research. The dissertation research was conducted based on a systematic approach using the following quantitative and qualitative methods: generalization, systematization, comparison, historical and logical methods – to study the economic essence of the concept of the social component of Islamic finance; analysis of foreign experience in the development of Islamic finance and the use of social tools; analysis of the legislative framework of Kazakhstan for the activities of Islamic financial and non-financial institutions; narrative and statistical analysis - for investigation the state of the Islamic financial system; SWOT analysis and the method of expert assessments - for determining the priority directions of the development of Islamic finance in solving social problems; financial analysis – for assessing the social effectiveness of Islamic finance and its impact on the social well-being of the country. SPSS and Microsoft Excel programs were used for statistical data processing.

The scientific novelty of the research results. The following results were obtained during the dissertation research, defining its scientific novelty:

- the concepts of the social function of Islamic finance and Islamic social finance have been clarified and delineated;

- by identifying the role of specific Islamic social financial instruments - zakat, waqf, and Islamic microfinance, considering the peculiarities of the foreign countries' experience, the forms range of Islamic social finance for Kazakhstan has been expanded;

- the methodology for assessing the social effectiveness of Islamic finance at different levels of the economic hierarchy has been proposed;

- the methods of assessing the potential Islamic finance assets and potential zakat amount have been proposed, and their impact on the welfare of socially vulnerable groups of the population of the country has been determined;

- the role of Islamic financial institutions and non-financial organizations in solving social problems in Kazakhstan has been substantiated;

- the measures for improving the social effectiveness of Islamic finance in the Republic of Kazakhstan based on the application of information technologies such as crowdfunding and blockchain have been proposed;

- the recommendations on institutional support for implementing the social function of Islamic finance in the Republic of Kazakhstan have been developed.

The main statements for thesis defense:

- economic relations based on the principles of the Shariah determine specific social and ethical norms, which, on the one hand, allow the use of finance as close as possible to their economic nature in the real economy. On the other hand, Islamic finance demonstrates a competitive advantage in crises and social problems compared to conventional finance.

- specific Islamic social finance - zakat, waqf, and microfinance, play a crucial role in addressing the social problems of the population in many countries. The institutional structure of specific Islamic finance management varies from country to country but does not change its socially-oriented function.

- to assess the social effectiveness of Islamic finance, it is proposed to use criteria for different economic hierarchy levels. At the macroeconomics level, the AHP method (an analytical hierarchy process) was used to measure the potential social effects of Islamic investment; and the potential assets of Islamic finance in the country were estimated;

- the potential zakat collection in the country was assessed using the Kahf, and Shirazi approaches, adjusted to the real country's economic indicators, and the social impact of Islamic finance was estimated using the savings in public financial resources allocated to social payments.

- the method of estimating savings of needy and people with limited incomes is proposed at the micro-level, as well as the social effect of realization of social business in the form of entrepreneurial activity was assessed;

- based on qualitative analysis conducted through questionnaires, in-depth interviews, and financial data provided, the social contribution and social effectiveness of Islamic and non-Islamic financial organizations operating in Kazakhstan were identified.

- the role of financial technologies is dramatically increasing in the Islamic financial system as part of the global financial system and market. Financial technologies used for the convenience of customers, reducing transaction costs, and increasing transparency and security of financial transactions also affect the social functions of Islamic financial services. The evaluation of the effectiveness of using the crowdfunding platform to collect zakat and charity for the integration forms of the platform has shown its high effectiveness due to saving state resources and ensuring transparency for both donors and applicants for social assistance.

- recommendations for successful Islamic finance development and ensuring social effectiveness in the Republic of Kazakhstan were developed based on the analysis of the legislative framework. The appropriate institutional support is needed, including several legislative, organizational, and economic measures that will form the basis of the Strategy for the Development of Islamic Finance. This strategy should include not only Islamic banking but also the Islamic capital market,

Islamic investments, Islamic insurance, and Islamic social financing, especially the development of the waqf system in the country.

The practical contribution of the study's results. There has been gained new theoretical knowledge of the social effectiveness of Islamic finance assessment methods. The dissertation research results can become the basis for setting new research tasks for both domestic and world science.

The results of this research can be useful for assessing the social effectiveness and socio-economic efficiency of social business. The results obtained during the research will contribute to the development of instruments of Islamic finance by integrating financial technologies into the activities of Islamic institutions in Kazakhstan to ensure transparency and openness. Furthermore, the financing of social projects will increase, while the cost of state assistance for the socially vulnerable population of the country will reduce. The conclusions, proposals, and scientific and practical recommendations can be taken into account and used in the implementation, development, and improvement of strategies, programs, concepts, and development plans of the Ministry of Labor and Social Protection of the Republic of Kazakhstan and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market within the Ministry of Finance.

The methodology for determining the social and economic efficiency of the social project "Ume Social Market" was applied in the activity of the Public Foundation "Ume Social Services," which is confirmed by the act on the implementation of the results of the thesis research.

The contribution to each publication. The main provisions and results submitted for defense were reflected in 15 scientific papers, 3 of which were published in the journal with a non-zero impact factor and included in the international information resources Scopus and Web of Science, 3 - in scientific publications recommended by CCSES of the MES RK, and 9 reports in the proceedings of international scientific and practical conferences.

The article "Islamic social finance: a literature review and future research directions" aims to study the main trends of scientific research in Islamic finance's social aspects to clarify place, role and functions, especially in increasing social problems. The PhD student has reviewed more than a hundred scientific papers in the direction of Islamic social finance.

In the article "Investigating the customers' drivers of Islamic credit card loyalty and word of mouth," written in co-authorship and devoted to examining the main factors that influence consumers to use an Islamic credit card, the PhD student has substantiated the theoretical basis of the use of Islamic cards.

The articles "Islamic finance in Kazakhstan: adaptation of foreign experience" and "Analysis of Islamic Finance development in Kazakhstan: overview and prospects" aim to study and analyze foreign experience for possible application in the development of Islamic finance in Kazakhstan. These articles have been written under the supervision of a domestic scientific advisor.

The contribution of the PhD student to the article "Islamic Social Finance and the impact of the Covid-19 pandemic", dedicated to the study of the impact of the

pandemic on the implementation of the social function of Islamic finance, is in conducting the questionnaire and interpreting the obtained results.

The articles in the proceedings of international conferences "Islamic Finance: Global economic benefits," "Islamic Finance in Kazakhstan and economic growth: potential and prospects," "Risk analysis of Murabaha financing and leasing," "Universe of Islamic investing – capital market," "Evaluating the effectiveness of Islamic Finance," and "The influence of the Fintech industry on the development of Islamic finance in the global economy" have been written under the supervision of the domestic scientific advisor.

The articles in the proceedings of international conferences: "Alternative financing of the economy - Islamic finance in Kazakhstan," devoted to the comparative analysis of Islamic finance and conventional as a source of alternative investment; and "Social responsibility and efficiency of Islamic financial institutions," aimed to investigate social responsibility and business efficiency of Islamic financial institutions; as well as the article "Econometric model of the development of Islamic finance in Kazakhstan" published in the journal "Transit Economics," and dedicated to developing an econometric model of the dependence Islamic finance and investment of the country, have been written by PhD candidate herself.

All the scientific results presented in the dissertation and publications of the PhD student were obtained by the author independently, formulating the problems proposed by domestic and foreign scientific supervisors d.e.s. acting professor Sagiyeva R.K. and PhD, professor N.Shirazi within the framework of scientific consulting and thesis research supervision.