GUSAU JOURNAL OF BUSINESS ADMINISTRATION (GUJOBA)

Vol. 5 Issue 1, June, 2026; Pp 207 - 218

ISSN: 2811-1702. https://doi.org/10.57233/gujoba.v5i1.19

A Publication of the Department of Business Administration, Federal University Gusau, Nigeria

ROLE OF ISLAMIC MICROFINANCE INSTITUTIONS ON PHILANTHROPY FOR POVERTY ALLEVIATION IN NIGERI

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ABSTRACT

This study examines the influence of Islamic Micro-financing Institutions (IMFIs) and the breadth of philanthropic activities they conduct with the view to reducing poverty in Nigeria. The paper provides an overview of the various forms of Islamic philanthropy and its roles in poverty alleviation and discusses the challenges faced by IMFIs in their effort to uplift the poor. The study used online and physical documents to gather the data. The authors used theoretical data synthesis to digest and explain the obtained data. The findings indicate that practices of IMFIs *have the potential value to support the less privileged; and reduce poverty through philanthropic activities. Equally the results show that* IMFIs *are active, committed, and have influence in conducting philanthropic activities to achieve poverty alleviation in Nigeria. However, there are still significant challenges that need to be addressed to improve the effectiveness of* IMFIs.

Keywords: IMFIs, Philanthropy, Poverty Alleviation, Zakat, Sadaqah.

1. INTRODUCTION

Nigeria is one of the most populous countries in Africa and is home to over 100 million Muslims. Therefore, philanthropy is an important part of Islamic culture in the country. The history of Islamic philanthropy in Nigeria dates back to the 17th century, when the Sokoto Caliphate was established. The glorious Qur'an brought the idea of a charity tax called "*Zakat*" which obligated all Muslims to donate a percentage of their wealth to the poor and needy when it reaches *nisab*. In recent times, Islamic philanthropy continues to be an important part of Muslim culture with the numerous charities and development projects providing an established assistance to those in need. The Global Islamic Humanitarian Platform (GIHP) is a popular charity that works in partnership with the United Nations with the view to provide food and medical aid to those affected by conflict and poverty (Man et. al., 2014).

Nigeria is home to one of the largest Muslim populations in the world, and supports a wide array of Islamic philanthropic activities. The Nigerian Islamic philanthropy system is based on the concept of *Zakat*, which is one of the five pillars of Islam. The primary purpose of *Zakat* is to provide relief for the poor and those in need, either through direct aid or indirectly through supporting community institutions. In Nigeria, *Zakat* is collected and managed by the board or institutions that are designed to officially oversee the collection and distribution of Zakat in the nation or a particular Muslim state in the country. The *Zakat* board or institution are responsible for establishing the rules

and regulations governing *Zakat* collection and distribution, setting criteria for determining the eligibility of *Zakat* recipient, and establishing rules for organizations that are authorized to collect and distribute Zakat.

In addition to *Zakat*, Islamic philanthropic activities in Nigeria also include *Sadaqah*, which is a voluntary form of giving out personal wealth. *Sadaqah* can be given in a variety of forms, such as cash, food, clothes, and providing assistance. *Sadaqah* can be provided directly to individuals in need, or indirectly through supporting organizations such as charitable organisations that in turn channelled it to the right person or community. For Ramadhan, Islamic philanthropic activities in Nigeria usually involve providing food, clothing, and other necessities for those in need. This can be done through providing donations to charities, or by directly providing food and clothes to those in need. Generally, Islamic philanthropy in Nigeria is focused on providing assistance to those in need, and helping to improve the lives of those who are most disadvantaged in society. Thus, through *Zakat*, *Sadaqah*, and other forms of giving, Islamic philanthropy in Nigeria is making a positive impact on the lives of many individuals and communities in the country.

On the other hand, it is important to note that Islamic micro-financing institutions in the globe have seen a significant growth over the years. This is likely due to the increasing demand for Shariah-compliant financial services in the country. Islamic micro-financing institutions in Nigeria have focus on supporting those in need with the benevolent loan, capital for business through the options of various Islamic financing contracts such as *Murabahah* and *Mudarabah* financing. *Murabahah* is a cost-plus financing model where the lender purchases an asset and sells it to the borrower at a marked up price, while *Mudarabah* is a profit-sharing partnership where the lender provides the capital and the borrower manages the business.

Thus, seeking financing from reputable Islamic banks or Islamic microfinance institutions have a strong presence and potential to support the local market and can provide tailored solutions for business needs (Abbas & Shirazi, 2015). Solid business plans and financial projections can help an individual person to secure financing from Islamic finance institutions, guidance from financial advisors or consultants that are well-versed in Islamic finance principles, and staying updated on any changes in regulations and policies related to Islamic finance (Hudawi, 2014). This will ensure that the business complies with *Shariah* principles and can continue to thrive in the long-run.

In conclusion, personalized loan, financial advices, starting a business in accordance with Islamic principles, and guidance from experts to make informed financial decisions can advocate the eradication of poverty and the promotion of social justice (Abakumenko, Kovalenko, & Tovstizhenko, 2016). Therefore, poverty alleviation refers to the efforts made to reduce and ultimately eliminate poverty within a society. In accordance with Islamic teachings, this should be achieved through the redistribution of wealth, charity, and ethical business practices. Using these principles, individuals can not only improve their own financial situation but also contribute to the betterment of society and uplift those in need and ensuring that the success of their endeavours that align with Islamic principles and ultimately contribute to the alleviation of poverty in the society. Thus, this study pursues to explore the role of Islamic Micro-financing institutions (IMFIs) on philanthropy for poverty alleviation in Nigeria. The article examines the influence of IMFIs and the depth of Islamic philanthropic activities with the intent to reduce poverty for economic development in Nigeria. This article is a clear impression on the role of IMFIs on Islamic philanthropy for poverty alleviation.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Islamic Microfinance Institutions (IMFIs)

Islamic microfinancing institutions are financial institutions that provide loans and other financial services in accordance with Shariah principles. These institutions adhere to the Islamic principles of profit and risk sharing, as well as avoiding riba (interest) and gharar (uncertainty). They are also known as Islamic microfinance or microcredit institutions (Wijaya et al., 2016). Islamic micro-financing institutions play a crucial role in promoting economic development and alleviating poverty in many Muslim-majority countries. They provide small loans to individuals, particularly women, who do not have access to traditional banking services (Ahmad et al., 2023). These loans are often used for entrepreneurial ventures, such as starting a small

business or purchasing equipment for existing businesses.

The concept of Islamic micro-financing institutions is based on the principle of social and economic justice, as well as the importance of helping those in need (Wijaya et al., 2016). These institutions operate on a non-profit basis, with any profits being reinvested to further support their clients. This model aligns with the teachings of Islam, which places emphasis on the importance of helping others and avoiding exploitation (Yumna, 2019). One of the key principles of Islamic micro-financing institutions is the concept of Qard-al-Hasan, which translates to "benevolent loan." This means that loans provided by these institutions are considered an act of charity, rather than a financial transaction. The borrower is only required to repay the amount borrowed, without any additional interest or fees. Additionally, Islamic micro-financing institutions also offer financial advice and training to their clients, promoting financial literacy and responsible financial management (Usman et al., 2017). This helps individuals not only to start their businesses but also to sustain and grow them, leading to long-term economic stability and development. Thus, Islamic micro-financing institutions operate in accordance with Shariah principles, providing loans and financial services to individuals in need of support and capital for social and economic reasons, playing a vital role in promoting economic development and alleviating poverty while promoting social and economic justice in line with Islamic teachings (Nurhidayat, 2018).

2.1.2 Islamic Philanthropy

Islamic philanthropy is the practice of giving in charity based on Islamic religious principles. The Islamic faith emphasizes generosity and giving in charity as a way to gain forgiveness and blessing from Allah SWT. Muslims are encouraged to give to charity during the holy month of Ramadan, as it is a time of spiritual cleansing, rejuvenation, and revitalisation. The Qur'an encourages those of great means to spend of their resources generously in order to help the poor and the needy: "O you who believe! Spend of the good things which you have earned, and of that which We have produced from the earth for you" (Qur'an 2:267). Muslims are also encouraged to give in secret so the recipient does not feel obliged, or worse, pressured in some way, and not to publicize their acts of charity. Thus, the concept of Islamic philanthropy is often linked to the institution of Zakat in Islam. Zakat is a compulsory form of giving, based on the person's accumulation of wealth, which is to be collected and distributed to those in need or indigents. However, voluntary forms of giving, termed Sadaqah, are also highly encouraged in Islam and are not dependent on the amount of money that one possesses.

Similarly, philanthropy is a concept widely used to describe the granting of money from an individual either to another or by foundations and corporations to non-profit organizations. It includes the concept of voluntary giving to provide common good and improve the quality of life. This concept is associated with kindness, compassion, mercy, generosity, love of humanity, and other virtues. Islamic philanthropy refers to private goods given in accordance with Islamic ordinances of charitable giving for public purposes. Islamic philanthropy comprises Zakat, Infaq, Sadaqah, and Waqf. All of these instruments have been used widely from the beginning of Islamic civilization. Prophet Muhammad SAW and His companions used these instruments in order to develop the first Islamic city (Madinatul Munawwarah) as well as the Ummah (Man et al., 2014).

2.1.3 Poverty Alleviation

Kura, Viswanathan, and Ishak (2019) opined that poverty alleviation is a set of policies, programs, and initiatives designed to lift people out of poverty. It is an effort to reduce the number of people living in poverty and to improve their quality of life. Poverty alleviation strategies typically involve providing access to basic needs that include food, housing, clean water, education, health care, and economic growth and opportunities (Agrawal, 2015). They can also include raising awareness about the challenges of poverty, providing assistance to those in need, and engaging the public and private sectors in developing more effective and equitable policies (Ahmad, 2016). On the other hand, poverty alleviation has been positioned high on the international development agenda following the adoption of the United Nations Millennium Development Goals (MDGs) in 2000. African countries initiated various missions to establish sustained economic growth by increasing productivity with an ultimate goal of poverty reduction (Agyeman, Yeboah, & Ashie, 2019; Ahmed et al., 2016). The significance of small and medium enterprises (SMEs) in poverty reduction and employment generation is widely acknowledged (Abisuga-Oyekunle, Patra, & Muchie, 2019). Despite the high failure rate amongst SMEs,

particularly in the African context, some are striving with excellent results and are demonstrating signs of growth, innovation, and sustainability (Abisuga-Oyekunle et al., 2019).

2.2 Theoretical Framework

This study is anchored on three complementary theoretical perspectives: Islamic Social Finance Theory, Maqasid al-Shariah Theory, and Capability Approach Theory.

Islamic Social Finance Theory posits that financial instruments such as Zakat, Sadaqah, Waqf, and Qard-al-Hasan are designed to redistribute wealth from the affluent to the less privileged members of society (Mohammed & Sirajo, 2018). This theory emphasizes that Islamic finance is not merely about profit maximization but about achieving social justice and economic equity. Islamic Microfinance Institutions (IMFIs) operate within this framework by providing Shariah-compliant financial services that prioritize social welfare alongside financial sustainability. The theory supports the argument that IMFIs have the potential to alleviate poverty through the strategic deployment of philanthropic funds (Begum et al., 2019).

Maqasid al-Shariah Theory, developed by Imam al-Ghazali and later expanded by al-Shatibi, identifies five essential objectives of Islamic law: the preservation of religion (din), life (nafs), intellect (aql), progeny (nasl), and wealth (mal). Poverty alleviation directly supports the preservation of life (by ensuring access to basic necessities), intellect (by enabling education), and wealth (by promoting economic participation). IMFIs, through their philanthropic activities, operationalize these higher objectives by addressing the root causes of poverty and empowering individuals to achieve self-sufficiency (Yahaya, Shinkafi, & Haji-Othman, 2020). This framework justifies the role of IMFIs in poverty reduction as a religious and ethical imperative.

Capability Approach Theory , developed by Amartya Sen (1999), argues that poverty should be understood not merely as a lack of income but as a deprivation of basic capabilities—the freedom to achieve valuable functionings such as adequate nutrition, health, education, and social participation. IMFIs contribute to capability enhancement by providing access to financial services, entrepreneurship training, and social support networks. When individuals gain the ability to start businesses, manage finances, and improve their living conditions, their capabilities expand, leading to sustainable poverty reduction (Kura, Viswanathan, & Ishak, 2019).

2.3 Empirical Review

Several empirical studies have examined the relationship between Islamic Microfinance Institutions, philanthropy, and poverty alleviation, particularly in the Nigerian context.

Haliru and Lawan (2025) critically examined the role of Islamic financial institutions (IFIs) in fostering philanthropic activities within Nigeria's socio-economic landscape. Drawing upon both theoretical frameworks and empirical findings, the research explored the scope, mechanisms, and effectiveness of philanthropic interventions facilitated by IFIs, with particular attention to zakat, waqf, and sadaqah. Utilizing a mixed-methods approach including structured interviews, surveys, and content analysis of financial disclosures, the study evaluated the extent of institutional involvement in sectors such as education, healthcare, poverty alleviation, and community development. The findings revealed that while Islamic financial institutions play a significant and multifaceted role in philanthropy, their efforts are constrained by regulatory ambiguities, limited public engagement, and insufficient institutional coordination. The study recommended strengthening the operational frameworks, regulatory support, and public awareness initiatives necessary to enhance the social impact of Islamic financial institutions.

Jimoh, Bamigbade, and Kolawole (2024) investigated the influence of the Islamic microfinance system on poverty alleviation in Kwara State, Nigeria. Non-probability, purposive sampling was adopted to select traders and small business owners from selected towns/villages in the three senatorial districts of Kwara State. Data were collected with a structured questionnaire and analyzed with descriptive and inferential statistics. The result found that there is a positive, significant effect between IFIs and income level and productivity level. The study concluded that micro-credit, micro-equity, and charity (social finance) products significantly influenced poverty alleviation. An adequate supply of Shariah-compliant micro-credit, micro-equity, and charity financial resources was recommended to boost the productivity and income

levels of low-income earners and small business owners in the state.

Assayouti, Adenigba, and Musolihu (2024) investigated the nexus between Islamic finance and philanthropy as catalysts for economic empowerment among Muslim women entrepreneurs in Nigeria. Focusing on the dynamic framework of Small and Medium Enterprises (SMEs), the study delved into the specific context of Nigeria to explore how Islamic finance principles and philanthropic endeavors converge to empower Muslim women engaged in entrepreneurial pursuits. The research employed multidimensional methods, combining a thorough literature review, empirical analysis, and in-depth case studies, probing the suitability of Islamic financial products in the context of SME financing for Muslim women entrepreneurs and investigating the role of philanthropy in providing financial support for women-led SMEs. The study revealed the extant academic discussion regarding the intersections of Islamic finance, philanthropy, and women's entrepreneurship, thereby offering operational impacts for financial institutions and philanthropic entities in formulating targeted strategies aimed at stimulating economic empowerment, financial inclusion, and sustainable development among Muslim women entrepreneurs in Nigeria.

Mohammed and Sirajo (2018) investigated the role of Islamic Microfinance Institutions (IMIs) in alleviating poverty in Bauchi State, Nigeria, using Tijarah Microfinance Bank Bauchi as a case study. Purposive sampling technique was used to collect data through a well-structured questionnaire which was analyzed using descriptive statistics, chi-square, and independent sample tests. The study revealed that both the clients and the staff of Tijarah Microfinance Bank are of the opinion that Islamic microfinance bank has the potential to alleviate poverty in Bauchi State and that there is a significant difference between the perceptions of the two categories of respondents on the potential of Islamic Microfinance bank in poverty alleviation. The study recommended that Islamic Microfinance banks should properly educate clients about Islamic financing, its implementation according to Shariah, and its proper use for productive purposes by developing a good information system using good visuals and professionally presented seminars, banners, and arranging regular sessions with the business community.

Usman et al. (2017) revealed that there is acceptable internal consistency and reliability of the five IMFIs constructs, which prove the capacity of Islamic Microfinance towards clients' wellbeing. Yumna (2019) showed that each Islamic charity-based microfinance institution can demonstrate its capability to enhance its funding collections. The increasing amounts of funds collected by these institutions can be correlated with the success of the institutions in adopting innovative fundraising strategies and promoting empowerment programs. Yusuf, Masruroh, and Nurhayati (2016) found that Shariah Microfinance has the potential to empower the poor and the unbanked with a small amount of credit, especially for women in rural areas, through Shariah micro financing schemes.

The empirical gaps evident from this review are as follows: (i) limited comprehensive studies specifically examining the linkage between IMFIs' philanthropic activities and poverty alleviation in Nigeria; (ii) insufficient attention to the challenges facing IMFIs in coordinating philanthropic efforts across diverse geographical and cultural contexts within Nigeria; (iii) a lack of integration between Islamic social finance theory and empirical evidence on poverty reduction outcomes; (iv) limited focus on the role of IMFIs in promoting entrepreneurship among the poor through integrated philanthropic and financing models. The present study addresses these gaps by synthesizing existing literature to develop a comprehensive understanding of how IMFIs influence poverty alleviation through philanthropic activities in Nigeria.

2.4 Conceptual Model

Based on the theoretical framework and empirical review, the following conceptual model guides this study. Islamic Microfinance Institutions (IMFIs) serve as the independent variable, comprising various financing instruments including Qard-al-Hasan, Murabahah, Mudarabah, and philanthropic funds (Zakat, Sadaqah, Waqf). The dependent variable is Poverty Alleviation, operationalized through improved income levels, enhanced productivity, entrepreneurship development, and improved living standards. Islamic philanthropy (Zakat, Sadaqah, Waqf, Iftar, Zakatul Fitr, Khums, Qardul Hassan) serves as the mediating mechanism through which IMFIs influence poverty outcomes, while regulatory frameworks, institutional coordination, and public awareness serve as moderating factors.

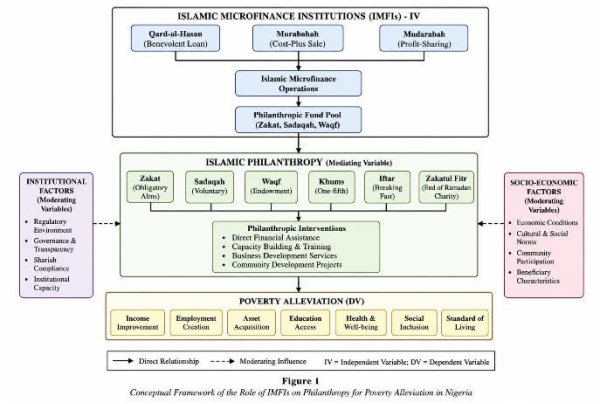


Figure 1

Conceptual Framework of the Role of IMFIs on Philanthropy for Poverty Alleviation in Nigeria

3. METHODOLOGY

This study adopts a conceptual research approach grounded in an integrative synthesis of extant literature on Islamic Microfinance Institutions, Islamic philanthropy, and poverty alleviation. Conceptual research is particularly appropriate where empirical evidence is fragmented or when the research aims to develop theoretical understanding and propose frameworks for future empirical investigation (Kothari, 1990). The study used online and physical documents to gather the data, including peer-reviewed journal articles, institutional reports, policy documents, and authoritative books on Islamic finance, microfinance, and poverty alleviation published between 2014 and 2025. The authors used theoretical data synthesis to digest and explain the obtained data, focusing on identifying dominant themes, key constructs, and relational patterns linking IMFIs to philanthropic activities and poverty outcomes. Emphasis was placed on literature specific to the Nigerian context, given the study's focus on Nigeria, while also drawing on insights from other Muslim-majority countries where relevant.

The integrative review approach allowed for the combination of insights from multiple disciplines, including Islamic finance, development economics, and social policy, thereby enabling the development of a coherent conceptual framework (Den Hartog et al., 2004). The approach moved beyond descriptive summarization to theoretical abstraction and synthesis, which are essential for framework building and proposition development (DeNisi & Pritchard, 2006). The study is conceptual in nature, and while it provides theoretical insights into the role of IMFIs in philanthropy for poverty alleviation, it does not include primary data collection or empirical testing of hypotheses. This approach is justified given the exploratory nature of the research and the need to establish a theoretical foundation for future empirical studies.

4. RESULTS AND DISCUSSION

4.1 Islamic Microfinance Institutions and Philanthropy in Nigeria

The findings from the literature synthesis indicate that Islamic Microfinance Institutions in Nigeria are actively involved in philanthropic activities aimed at poverty alleviation. The analysis reveals that IMFIs utilize multiple Shariah-compliant instruments to support the less privileged, including Qard-al-Hasan (benevolent loans), Zakat collection and distribution, Sadaqah (voluntary charity), and Waqf (endowments). These instruments are deployed either directly to individuals in need or indirectly through community-based organizations and development projects.

The evidence from previous studies suggests that IMFIs have a significant and multifaceted role in philanthropy within Nigeria. Haliru and Lawan (2025) found that IMFIs contribute to poverty alleviation through various channels, including direct financial assistance, capacity building, and support for small-scale enterprises. However, the study also identified constraints, including regulatory ambiguities and insufficient institutional coordination, which limit the effectiveness of these interventions. Similarly, Jimoh, Bamigbade, and Kolawole (2024) provided empirical evidence from Kwara State demonstrating that Islamic microfinance products, particularly micro-credit, micro-equity, and charity-based financing, significantly influence poverty alleviation through improved income levels and productivity.

The findings also indicate that IMFIs have a strong presence in Northern Nigeria, where the Muslim population is concentrated. Institutions such as Tijarah Microfinance Bank in Bauchi State have been shown to have the potential to alleviate poverty (Mohammed & Sirajo, 2018). These institutions provide not only financing but also financial literacy training and business development services, which enhance the capacity of the poor to utilize financial resources effectively. This integrated approach aligns with the principles of Islamic

finance, which emphasize both material support and human development.

The results further show that IMFIs are active, committed, and have influence in conducting philanthropic activities to achieve poverty alleviation in Nigeria. The increasing amounts of funds collected and distributed by these institutions, as documented by Yumna (2019), indicate a growing capacity to address poverty. Moreover, the integration of waqf resources with microfinance, as explored by Haneef et al. (2015), presents a promising model for sustainable poverty reduction. The study found significant relationships between Islamic Microfinance and Takaful, Waqf resources, and human resource development, suggesting that poverty alleviation is possible through the integration of these constructs.

4.2 Forms of Islamic Philanthropy and Their Role in Poverty Alleviation

The paper identifies various forms of Islamic philanthropy practiced in Nigeria, including Zakat (obligatory almsgiving), Sadaqah (voluntary charity), Khums (one-fifth levy), Iftar (breaking fast meals), Zakatul Fitr (end-of-Ramadan charity), Waqf (religious endowments), and Qardul Hassan (benevolent loans). Each of these instruments has distinct characteristics and applications in poverty alleviation.

Zakat, as a compulsory levy on accumulated wealth, provides a predictable and substantial source of funds for poverty alleviation. When properly collected and distributed, Zakat can address the basic needs of the poor, including food, shelter, healthcare, and education. The paper reveals that Islamic philanthropy has a commitment to poverty alleviation and promotes social responsibility, economic justice, and compassion. Zakat commissions in various Nigerian states have been established to institutionalize Zakat collection and distribution, although their effectiveness varies across jurisdictions.

Sadaqah and Waqf provide additional resources that can be directed towards long-term development projects, such as schools, hospitals, and vocational training centres. These forms of philanthropy have the potential to create sustainable assets that continue to benefit communities over extended periods. The integration of Waqf with microfinance, as noted by Haneef et al. (2015), offers a mechanism for generating ongoing funding for poverty reduction initiatives while preserving the principal endowment.

4.3 Challenges Facing IMFIs in Philanthropic Activities

Despite the potential and demonstrated commitment of IMFIs, the study identifies significant challenges that need to be addressed to improve their effectiveness in poverty alleviation. A major challenge is the lack of coordination and cooperation between IMFIs and local non-governmental organizations (NGOs) that are often responsible for implementing philanthropic projects. This has resulted in a lack of effectiveness in the activities, with resources and efforts not being directed towards their intended targets.

Additionally, due to the global nature of many IMFIs, there may be discrepancies across different Muslim countries when it comes to the regulations and standards set for philanthropic activities and institutions. As a result, it can be difficult for IMFIs to ensure that resources and efforts are being used in an effective, efficient, and transparent manner. Due to the diverse nature of philanthropic activities, there is often a lack of consistent standards and evaluation criteria for assessing the effectiveness of projects, leading to further inefficiencies.

Other challenges identified in the literature include limited public awareness about Islamic microfinance products, insufficient Shariah governance frameworks, lack of trained personnel, and inadequate funding for operational expenses. Abbas and Shirazi (2015) noted that Islamic banks do not sufficiently encourage lower-income micro-entrepreneurs, and Islamic microfinance is constrained by lack of knowledge, experience, and professionalism of supporting staff. These findings highlight the need for capacity building, regulatory reform, and improved coordination among stakeholders.

4.4 Discussion of Findings

The findings of this study align with and extend existing scholarship on Islamic microfinance and poverty alleviation. The conclusion that IMFIs have potential value to support the less privileged through philanthropic activities is consistent with the theoretical foundations of Islamic social finance. The concept of Qard-al-Hasan as a benevolent loan, emphasized in the literature (Abbas &

Shirazi, 2015; Wijaya et al., 2016), reflects the ethical commitment of Islamic finance to social welfare rather than purely commercial objectives.

The identification of multiple forms of Islamic philanthropy—Zakat, Sadaqah, Waqf, Khums, Iftar, Zakatul Fitr, and Qardul Hassan—is consistent with the classical Islamic literature on charitable giving (Man et al., 2014). The practical application of these instruments in Nigeria demonstrates the adaptability of Islamic principles to contemporary poverty reduction challenges. However, the finding that regulatory ambiguities and coordination challenges constrain IMFI effectiveness highlights the gap between theoretical potential and practical implementation.

The study's finding that IMFIs are active, committed, and influential in conducting philanthropic activities is supported by empirical evidence from various Nigerian states. Mohammed and Sirajo (2018) provided evidence from Bauchi State, Jimoh, Bamigbade, and Kolawole (2024) from Kwara State, and Haliru and Lawan (2025) from a national perspective. Collectively, these studies demonstrate a consistent pattern of IMFI engagement in poverty alleviation across different geographical contexts within Nigeria.

The challenges identified—lack of coordination, regulatory inconsistencies, insufficient evaluation standards, limited awareness, and inadequate capacity—are not unique to Nigeria. Similar challenges have been documented in other Muslim-majority countries (Abbas & Shirazi, 2015; Begum et al., 2019). This suggests that the effectiveness of IMFIs in poverty alleviation depends not only on the availability of financial resources but also on the enabling environment created by regulatory frameworks, institutional coordination, and human capital development.

The theoretical implications of this study are significant. The findings support the applicability of Islamic Social Finance Theory to the Nigerian context, demonstrating that Zakat, Sadaqah, and Waqf can be effectively mobilized for poverty reduction. The study also supports Maqasid al-Shariah Theory, showing that IMFI activities contribute to the preservation of life, intellect, and wealth—core objectives of Islamic law. Additionally, the findings align with the Capability Approach, as IMFIs enhance the capabilities of the poor through financial inclusion, entrepreneurship support, and human development initiatives.

The practical implications for IMFIs, policymakers, and stakeholders are substantial. IMFIs should strengthen their coordination with NGOs and Zakat commissions, invest in capacity building for staff, and adopt transparent reporting mechanisms. Policymakers should clarify regulatory frameworks for Islamic microfinance, establish unified operational standards for Zakat commissions, and create a national poverty registry to facilitate efficient resource allocation. Stakeholders, including academics, practitioners, and Islamic finance professionals, should collaborate to promote public awareness and research on Islamic microfinance and philanthropy.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study examined the influence of Islamic Microfinance Institutions (IMFIs) and the extent of their philanthropic activities aimed at reducing poverty for economic development in Nigeria. The paper revealed that Islamic Microfinance institutions have a potential impact on philanthropic activities for poverty alleviation by providing financial assistance, developing programs to improve financial literacy for the poor, promoting access to credit, and improving the financial awareness and education of the downtrodden poor. The paper identified various forms of Islamic philanthropy practiced in Nigeria, including Zakat, Sadaqah, Khums, Iftar, Zakatul Fitr, Waqf, and Qardul Hassan. The paper further revealed that Islamic philanthropy has a commitment to poverty alleviation and promotes social responsibility, economic justice, and compassion. The findings indicated that IMFIs are active, committed, and have influence in conducting philanthropic activities to achieve poverty alleviation in Nigeria, although significant challenges—including lack of coordination, regulatory ambiguities, insufficient evaluation standards, and limited capacity—need to be addressed to improve their effectiveness.

5.2 Conclusion

This study concludes that Islamic Microfinance Institutions are important actors in poverty alleviation in Nigeria through their philanthropic activities. The study concludes that IMFIs are sources of happiness, especially when supported by philanthropic activities for

poverty alleviation. The various forms of Islamic philanthropy provide diverse mechanisms for addressing the multidimensional nature of poverty, including direct relief, capacity building, and long-term development. The authors are of the view that there is need for collaboration between Islamic Financial Institutions (IFIs) and IMFIs, in addition to their philanthropic support, to curb the existing level of poverty among Nigerians. This collaboration will actually help in promoting self-reliance, small-scale businesses, reduce street begging, and minimize the level of insecurity in the Northern part of the country.

The study further concludes that while IMFIs have demonstrated commitment and influence in poverty alleviation, their effectiveness is constrained by regulatory, institutional, and capacity challenges. Addressing these challenges requires coordinated action by policymakers, regulators, IMFIs, Zakat commissions, NGOs, and other stakeholders. The theoretical frameworks of Islamic Social Finance, Maqasid al-Shariah, and the Capability Approach provide robust foundations for understanding and enhancing the role of IMFIs in poverty alleviation.

5.3 Recommendations

Based on the findings and conclusions of this conceptual study, the following recommendations are offered for policymakers, Islamic Microfinance Institutions, Zakat commissions, and other stakeholders.

Strengthen Collaboration between IMFIs and Zakat Commissions. The study recommends that policymakers and stakeholders ensure that IMFIs work in harmony with relevant financial institutions and philanthropic organizations. Zakat commissions should have a unified operational framework and partner with IMFIs to create a poverty registry and efficiently allocate resources to fight poverty. This collaboration should include information sharing, joint programme implementation, and coordinated resource mobilization.

Establish a Unified Regulatory Framework for Islamic Microfinance. The federal and state governments should develop and implement a unified regulatory framework for Islamic microfinance institutions that clarifies their legal status, governance requirements, Shariah compliance standards, and reporting obligations. This framework should also address the operational standards for Zakat collection and distribution to ensure transparency, accountability, and effectiveness.

Develop Capacity Building Programs for IMFI Staff. IMFIs should invest in training and professional development programs for their staff, focusing on Shariah compliance, microfinance operations, poverty assessment methodologies, and client relationship management. Capacity building should also extend to members of Zakat commissions and NGO partners involved in implementing philanthropic projects.

Promote Public Awareness and Financial Literacy. IMFIs, in collaboration with educational institutions and religious organizations, should conduct public awareness campaigns to educate Muslims about the availability and benefits of Islamic microfinance products and the proper administration of Zakat and Sadaqah. Financial literacy programs should target potential clients, particularly women and rural populations, to enhance their ability to utilize financial resources effectively.

Recommendation 5: Establish Standardized Monitoring and Evaluation Frameworks. Zakat commissions and IMFIs should adopt standardized monitoring and evaluation frameworks for assessing the effectiveness of philanthropic activities and poverty alleviation programmes. These frameworks should include clear indicators for measuring outcomes such as income levels, employment generation, business sustainability, and improvements in living standards.

Integrate Waqf Resources with Microfinance Operations. IMFIs should explore innovative models for integrating Waqf (endowment) resources with microfinance operations to create sustainable funding streams for poverty alleviation. Waqf assets can be developed to generate ongoing income that supports microfinance activities, preserving the principal endowment while providing continuous benefits to the poor.

Leverage Technology for Efficient Resource Management. IMFIs and Zakat commissions should adopt digital technologies for Zakat collection, poverty registry management, client tracking, and impact assessment. Mobile money platforms, biometric identification, and data analytics can enhance efficiency,

transparency, and reach, particularly in remote and underserved areas.

Prioritize Entrepreneurship Development. IMFIs should place greater emphasis on entrepreneurship development alongside financial services. This includes providing business development training, mentorship, market linkages, and post-financing support to ensure that clients can successfully establish and sustain income-generating activities. Special attention should be given to women entrepreneurs, who constitute a significant proportion of microfinance clients.

5.4 Limitations and Avenues for Future Research

This study acknowledges several limitations. First, the study is conceptual in nature and does not include primary data collection or empirical testing of hypotheses. While conceptual analysis is appropriate for theory development and contextual exploration, the absence of primary data limits the ability to draw causal conclusions about the relationship between IMFI philanthropic activities and poverty alleviation outcomes. Second, the study focuses on Nigeria, which, although analytically valuable, may limit the direct generalizability of findings to other Muslim-majority countries with different institutional, economic, and cultural contexts. Third, the study did not empirically test the proposed relationships or quantify the impact of IMFI activities on specific poverty indicators.

Future researchers should expand the scope and methodology of the study by empirically testing the relationship between IMFIs' philanthropy and poverty alleviation in Nigeria. Quantitative studies may employ survey designs to collect data from IMFI clients, measuring changes in income, employment, and living standards before and after accessing Islamic microfinance services. Structural equation modelling could be used to test the causal relationships between specific philanthropic instruments and poverty outcomes. Qualitative studies may employ case study approaches to explore the lived experiences of IMFI clients, examining how access to Islamic microfinance influences their economic behaviour, social status, and overall wellbeing. Comparative studies could examine the effectiveness of different IMFI models across various Nigerian states or compare Nigeria with other Muslim-majority countries. Longitudinal studies could track IMFI clients over extended periods to assess the sustainability of poverty reduction outcomes. Finally, action research could be conducted in collaboration with IMFIs to design, implement, and evaluate innovative philanthropic interventions for poverty alleviation.

Through such empirical investigations, the conceptual relationships proposed in this study can be refined, validated, and adapted for broader application across Islamic microfinance institutions and poverty alleviation programs in Nigeria and beyond.

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