

EXPLORING THE ROLES OF FINTECH-GOOD
GOVERNANCE PRACTICE IN ISLAMIC SOCIAL
FINANCE INSTITUTIONS: A CASE STUDY OF
DIRECT-AID SOCIETY IN KUWAIT

BY

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ABSTRACT

The thesis explores impact of using the FinTech tools of crowdfunding and digital payment on the practice of good governance at Islamic social finance institutions in order to improve the adoption of good governance and ultimately enhance stakeholders' protection. The study is qualitative in nature, employing singular case study research on Direct Aid Society which is a leading institution in the Gulf and Middle East region. It is the first institution in the field of social finance that adopts good governance system in The State of Kuwait. The researcher applies multiple methods of data collection including library research, official document analysis, and interviews with 10 respondents comprising governance and FinTech leaders as well as regulators and an external governance expert. The in-depth face-to-face interviews furnished valuable data that was then generated, rearranged, and refined using the NVIVO 14 software. It was found that the application of good governance and the use of the FinTech tools of crowdfunding and digital payment enhances institutional performance and increases stakeholders' protection at Islamic social finance institutions. In addition, the issues and challenges that accompany the application of good governance at Islamic social finance institutions such as lack of transparency, trust, disclosure, and accountability can be addressed using the FinTech tools of crowdfunding and digital payment. Therefore, there is a positive impact of using the two selected FinTech tools on the application of good governance standards at Islamic social finance institutions in terms of enhancing the second and third governance standards namely financial stability as well as transparency, disclosure, and accountability. This is achieved by using the FinTech tools of crowdfunding and digital payment, which enhances the application of good governance in the context of this study.

ملخص البحث

تهدف الدراسة إلى استكشاف تأثير استخدام أدوات التكنولوجيا المالية (FinTech)، خاصة أدوات التمويل الجماعي والدفع الرقمي، على تطبيق مبادئ الحوكمة الرشيدة في مؤسسات التمويل الاجتماعي الإسلامي، وذلك لتعزيز ممارسات الحوكمة وضمان حماية أصحاب المصلحة، من خلال دراسة حالة جمعية العون المباشر. وقد اتبعت الدراسة على منهج البحث النوعي، باستخدام دراسة حالة فردية تعرف باسم جمعية العون المباشر، باعتبارها مؤسسة رائدة في منطقة الخليج العربي والشرق الأوسط، والمؤسسة الأولى في مجال التمويل الاجتماعي التي تبنت نظام الحوكمة الرشيدة في دولة الكويت. كما اعتمد الباحث على وسائل متعددة لجمع البيانات، وهي: فحص الدراسات المكتبية، وتحليل المستندات الرسمية، وإجراء مقابلات مع عشرة مشاركين من قادة الحوكمة والتكنولوجيا المالية في جمعية العون المباشر، إلى جانب عمل مقابلة مع أحد المسؤولين في الجهات الرقابية بدولة الكويت وأحد خبراء الحوكمة. نتج عن هذه المقابلات وجها لوجه كمية مناسبة من البيانات التي تم إعادة تنظيمها وتحليلها باستخدام برنامج (NVIVO 14). خلصت الدراسة إلى أن تطبيق مبادئ الحوكمة الرشيدة إلى جانب أدوات التكنولوجيا المالية، خصوصاً أدوات التمويل الجماعي، والدفع الرقمي، يعزز من الأداء المؤسسي، ويسهم في زيادة حماية أصحاب المصلحة في مؤسسات التمويل الاجتماعي الإسلامي. كما أظهرت الدراسة إمكانية إيجاد حلول مناسبة للإشكاليات والتحديات التي تواجه تطبيق الحوكمة الرشيدة في مؤسسات التمويل الاجتماعي الإسلامي، مثل ضعف الشفافية، والثقة، والإفصاح، والمساءلة، من خلال استخدام أدوات التكنولوجيا المالية فيما يخص أدوات التمويل الجماعي والدفع الرقمي. وبالتالي، خلصت الدراسة إلى وجود تأثير إيجابي لاستخدام التكنولوجيا المالية في تعزيز معايير الحوكمة الرشيدة في مؤسسات التمويل الاجتماعي الإسلامي، خاصة من حيث تعزيز المعيارين الثاني والثالث من معايير الحوكمة الرشيدة المنفذة في جمعية العون المباشر، وهما معيار الاستقرار المالي، ومعيار الشفافية والإفصاح والمساءلة، وذلك من خلال استكشاف دور التكنولوجيا المالية من حيث أداتي التمويل الجماعي، والدفع الرقمي؛ لتعزيز تطبيق الحوكمة الرشيدة في داخل إطار هذه الدراسة.

APPROVAL PAGE

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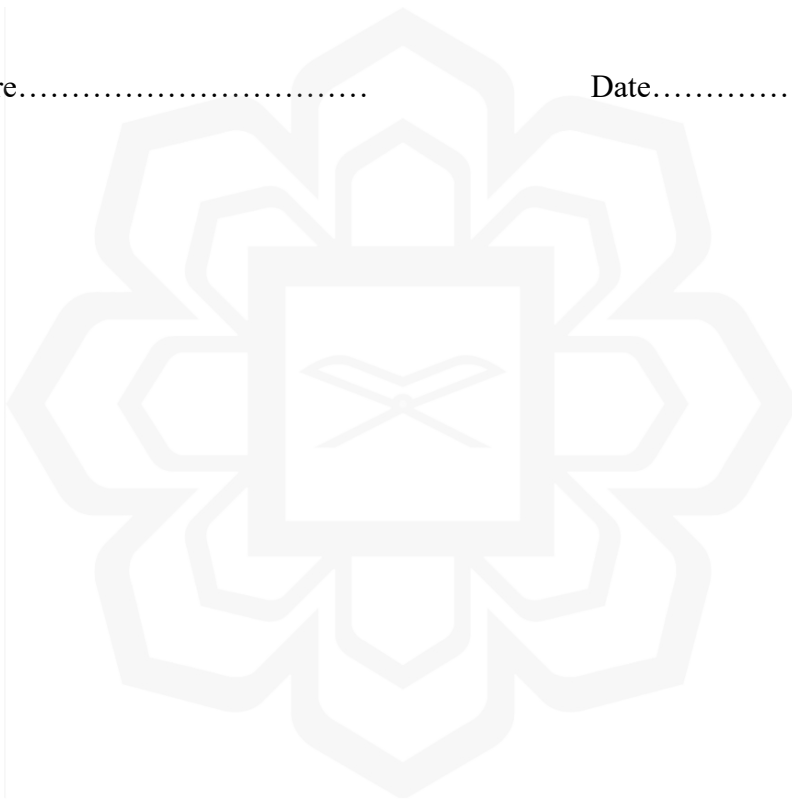
DECLARATION

I hereby declare that this thesis is the result of my own investigations, except otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Mysara Abdelwahab Mohamed Bioumy

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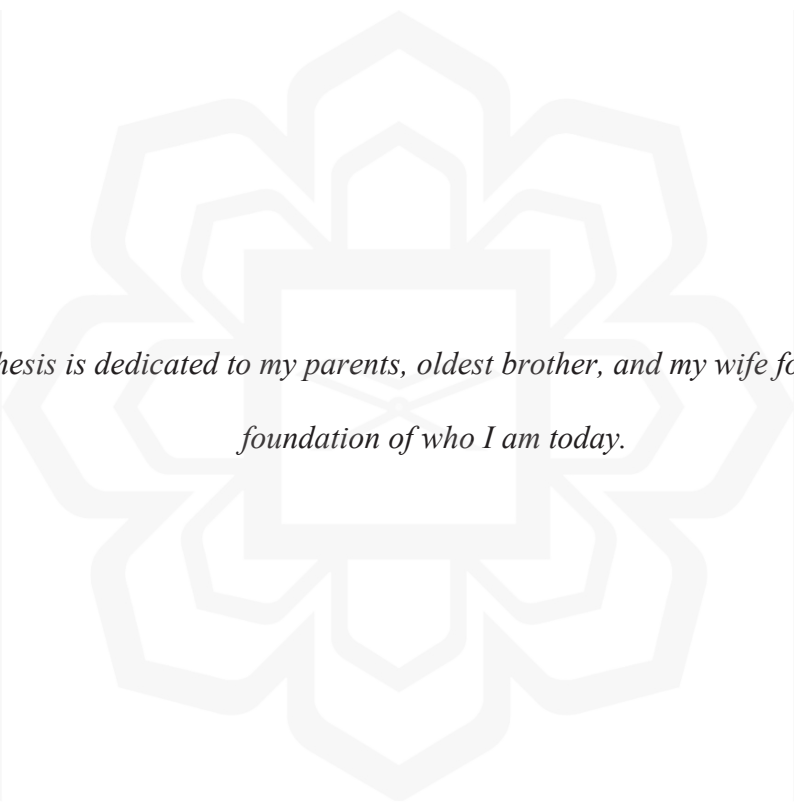
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*This thesis is dedicated to my parents, oldest brother, and my wife for laying the
foundation of who I am today.*

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TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iv
Declaration	v
Copyright Page.....	vi
Dedication	vii
Acknowledgements.....	viii
List of Tables	xiii
List of Figures	xv
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	7
1.3 Research Objectives.....	8
1.4 Research Questions.....	9
1.5 Scope and Limitation of the Study.....	9
1.6 Hypothesis of the Research.....	10
1.7 Significance of the Study	10
1.7.1 Significance to Islamic Social Finance Institutions	10
1.7.2 Significance to Stakeholders in Kuwait	11
1.7.3 Significance to Good Governance Practice	11
1.7.4 Significance to Policy Makers	12
1.8 Organization of the Study	12
1.9 Theoretical Framework of the Study	13
1.9.1 Neo-Institutional Theory.....	14
1.9.2 Stakeholder Theory	15
1.9.3 The Organizational Legitimacy Theory.....	15
1.9.4 Related Studies that Adopt the Same Theories.....	16
1.10 Conceptual Framework of the Study	18
1.11 Chapter Summary	21
CHAPTER TWO: LITERATURE REVIEW	22
2.1 Introduction	22
2.2 Conceptual Study of Social Finance and Islamic Social Finance Institutions Globally and in Kuwait	22
2.2.1 Background of Social Finance	22
2.2.2 Background of Islamic Social Finance Institutions: A Global Perspective	24
2.2.3 Background of Islamic Social Finance Institutions in Kuwait	27
2.2.4 Independent Non-profit Islamic Social Finance in Kuwait (INPISF)	28
2.2.5 Issues in Social Finance industry	29
2.3 Good Governance for Islamic Social Finance Industry in Kuwait and Globally..	30
2.3.1 The concept of Good Governance	31
2.3.2 Practices of Good Governance in Islamic Social Finance Industry..	33
2.3.2.1 Good Governance Practices in NGOs and Sadaqah Affiliated Institutions.....	35

2.3.2.2	Good Governance Practices in Zakat Affiliated Institutions	41
2.3.2.3	Good Governance Practices in Waqf Affiliated Institutions	42
2.3.3	Good Governance practices in Independent Non-Profit Islamic Social Finance Institutions in Kuwait	43
2.3.4	Issues in Good Governance for Social Finance Industry	45
2.4	The Emergence of Fintech in the Application of Good Governance in the Islamic Social Finance Institutions	46
2.4.1	Practice of FinTech	46
2.4.2	The Use of FinTech in the Islamic Social Finance Institutions	48
2.4.2.1	FinTech Practices in NGOs and Sadaqah Affiliated Institutions	49
2.4.2.2	FinTech Practices in Zakat Affiliated Institutions	50
2.4.2.3	FinTech Practices in Waqf Affiliated Institutions	51
2.4.3	The Use of Fintech in the Application of Good Governance	52
2.5	The Use of Fintech and Good Governance at the Selected Case Study - Direct Aid Society- in Kuwait	54
2.5.1	Direct Aid Society- in the State of Kuwait	54
2.5.2	Overview of Good Governance application at Direct Aid Society in Kuwait	54
2.5.3	Overview of FinTech Applying at Direct Aid Society in Kuwait	55
2.6	The Gaps of Knowledge: Fintech-Good Governance in Islamic Social Finance Institutions	56
2.7	Review of Past Literatures	56
2.8	Chapter Summary	65
CHAPTER THREE RESEARCH METHODOLOGY		66
3.1	Introduction	66
3.2	Research Methodology and Strategy	66
3.2.1	Qualitative Research	66
3.2.2	Case Study Research	67
3.3	Data Collection	68
3.3.1	Library Research	69
3.3.2	Document Analysis	69
3.3.3	Interviews	70
3.4	Population, Sample Size, and Accessibility	71
3.4.1	Personal Interviews	73
3.4.2	Respondents' Profiles	74
3.4.3	Date and Duration of Interviews	75
3.5	Data Analysis	76
3.6	Research Design	78
3.7	Chapter Summary	78
CHAPTER FOUR CASE STUDY OF DIRECT AID SOCIETY		80
4.1	Introduction	80
4.2	Overview of the Case Study	80
4.2.1	An Historical View of Direct Aid Society	82
4.2.2	The Administrative Structure of Direct Aid Society and its Relation to Good Governance and FinTech	83
4.2.3	Direct Aid Society Projects and Their Relation to Good Governance and FinTech	85
4.2.3.1	The Provided Projects for Sadaqah	85

4.2.3.2	The Provided Projects for Waqf	94
4.2.3.3	The Provided Projects for Zakat	96
4.2.3.4	The Relationship between the Provided Projects and Good Governance Practices and FinTech	97
4.2.4	Financial Performance Assessment of Direct Aid Society from 2020-2022.....	97
4.2.4.1	Total Assets of Direct Aid over the 2020-2022 Period	98
4.2.4.2	Total Donation and Revenue Value of Direct Aid over the 2020-2022 Period.....	99
4.3	The Application of Good Governance by Direct Aid Society	100
4.3.1	The Applied Good Governance Standards and their Scopes and Indicators.....	100
4.3.2	Performance Assessment of the Applied Good Governance Standards	104
4.4	The Fintech Tools Applied by Direct Aid Society.....	106
4.5	The Impact of Using Fintech Tools on the Practice of Good Governance in the Context of the Case Study	108
4.6	Chapter Summary	111
CHAPTER FIVE DATA ANALYSIS AND FINDINGS.....		113
5.1	Introduction.....	113
5.2	Role of Good Governance in Islamic Social Finance Institutions	114
5.2.1	Implications of Practicing Good Governance in Islamic Social Finance Institutions	115
5.2.2	The Application of Good Governance in Direct Aid Society.....	118
5.2.3	Effect of Governance on Direct Aid Society' Institutional Performance	121
5.2.4	Impact of Governance on Stakeholder Protection in Direct Aid Society.....	124
5.3	Role of Using Fintech Tools (Crowdfunding and Digital Payment) in Islamic Social Finance Institutions	127
5.3.1	Implications of Using FinTech Tools in Islamic social finance institutions.....	129
5.3.2	The Usage of FinTech Tools in Direct Aid Society.....	131
5.3.3	Role of Using FinTech Tools on Direct Aid Society' Institutional Performance	134
5.3.4	Impact of Using Fintech Tools on Stakeholder Protection in Direct Aid Society.....	136
5.4	Issues and Challenges in the Adoption of Good Governance in Islamic Social Finance Institutions	138
5.4.1	Issues of Good Governance Application in Islamic Social Finance Institutions.....	139
5.4.2	Issues of Good Governance Application in Direct Aid Society	143
5.4.3	Overcoming the Issues of Good Governance Application at Direct Aid Society.....	146
5.5	Impact of Using Fintech Tools on the Practice of Good Governance in Islamic Social Finance Institutions	149
5.5.1	Financial Stability	150
5.5.2	Transparency, Disclosure and Accountability	154
5.6	Respondents' Opinions Regarding the Impact of Fintech Tools on Each Governance Indicator in Direct Aid Society	156
5.7	Findings of the Study	161

5.7.1 Role of Good Governance Practices in Islamic social finance institutions.....	162
5.7.1.1 The Necessity of Practicing Good Governance in Islamic Social Finance Institutions.....	163
5.7.1.2 The Application of Good Governance in Direct Aid Society.....	164
5.7.1.3 Role of Governance on Direct Aid Society’ Institutional Performan.....	165
5.7.1.4 Role of Governance on Stakeholder Protection in Direct Aid Society.....	166
5.7.2.1 The Implications of Using FinTech Tools in Islamic social finance institutions	168
5.7.2.2 The Usage of FinTech Tools in Direct Aid Society	169
5.7.2.3 Role of Using FinTech Tools on Direct Aid Society’ Institutional Performance.....	170
5.7.2.4 Role of Using FinTech Tools on Stakeholder Protection in Direct Aid Society.....	171
5.7.3 Issues and Challenges Facing the Adoption of Good Governance in Islamic Social Finance Institutions	172
5.7.3.1 Issues of Good Governance Application in Islamic Social Finance Institutions	173
5.7.3.2 Issues of Good Governance Application in Direct Aid Society.....	174
5.7.3.3 Addressing the Issues of Good Governance Application in Direct Aid Society.....	175
5.7.4 Impact of Using Fintech Tools on the Practice of Good Governance in Islamic Social Finance Institutions	177
5.7.4.1 Financial Stability	177
5.7.4.2 Transparency, Disclosure and Accountability.....	178
5.8 Chapter Summary	179
CHAPTER SIX CONCLUSION AND RECOMMENDATIONS.....	181
6.1 Introduction.....	181
6.2 Summary	181
6.3 Recommendations.....	185
6.4 Recommendations for Future Studies.....	188
6.5 Conclusion	189
REFERENCES.....	190
APPENDIX A INTERVIEW QUESTIONS.....	210

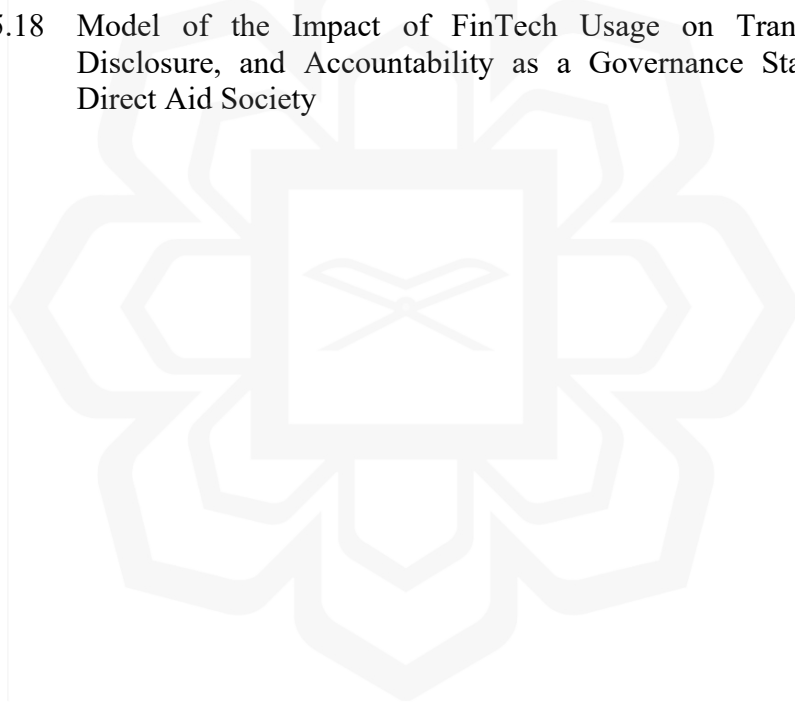
LIST OF TABLES

Table 1.1	Related Studies That Adopted the Same Theories	16
Table 2.1	Comparison of the Main Islamic Social Finance Instruments	25
Table 2.2	Review of Past Literatures	58
Table 3.1	List of Respondents, Their Positions, and Years of Service	74
Table 3.2	List of Dates and Durations of Interviews	76
Table 3.3	Research Design	78
Table 4.1	Summary of the Provided Sadaqah Projects by Direct Aid Society	93
Table 4.2	The Applied Good Governance Standards, Scopes, and Indicators	101
Table 4.3	The FinTech tools applied by Direct Aid Society	107
Table 4.4	The Relationship Between the Usage of Fintech Tools and the Applied Good Governance Indicators	109
Table 5.1	Respondents' Opinions of the Relationship Between Fintech and Applied Governance in Direct Aid Society	158
Table 5.2	List of the Themes and Sub-themes	161

LIST OF FIGURES

Figure 1.1	Conceptual Framework	21
Figure 2.1	The Role of Social Finance	23
Figure 2.2	FinTech Tree	47
Figure 4.1	The Organizational Structure of Direct Aid Society in 2022	84
Figure 4.2	Total Assets Value of Direct Aid (2020-2022)	98
Figure 4.3	Total Assets Value of Direct Aid (2020-2022)	99
Figure 4.4	Good Governance Standards Assessment in 2020	104
Figure 4.5	Good Governance Standards Assessment in 2021	105
Figure 4.6	Good Governance Standards Assessment in 2022	105
Figure 5.1	Main Themes and Sub-Themes of the Impact of FinTech Usage on Good Governance Practices at Islamic Social Finance Institutions (ISFIs)	114
Figure 5.2	Model of the Role of Governance in Islamic Social Finance Institutions	115
Figure 5.3	Model of Governance Implications in Islamic Social Finance Institutions	116
Figure 5.4	Model of Governance Application in Direct Aid Society	118
Figure 5.5	Model of Governance's Role on Direct Aid Society' Institutional Performance	121
Figure 5.6	Model of the Impact of Governance on Stakeholder Protection in Direct Aid Society.	124
Figure 5.7	Model of FinTech Role in Islamic Social Finance Institutions	128
Figure 5.8	Model of Using FinTech in Islamic Social Finance Institutions	129
Figure 5.9	Model of FinTech Tools Usage in Direct Aid Society	131
Figure 5.10	Model of FinTech's Role on Direct Aid Society' Institutional Performance	134
Figure 5.11	Model of the Impact of FinTech on Stakeholder Protection in Direct Aid Society	136

Figure 5.12	Model of Governance Issues and Challenges in Direct Aid Society	139
Figure 5.13	Model of Governance Issues and Challenges in Islamic Social Finance Institutions	140
Figure 5.14	Model of Governance Issues and Challenges in Direct Aid Society	144
Figure 5.15	Model of Overcoming Governance Issues and Challenges in Direct Aid Society	147
Figure 5.16	Model of the Impact of FinTech on Governance in Islamic Social Finance Institutions	150
Figure 5.17	Model of the Impact of FinTech Usage on the Financial Stability Governance Standard Applied in Direct Aid Society	151
Figure 5.18	Model of the Impact of FinTech Usage on Transparency, Disclosure, and Accountability as a Governance Standard in Direct Aid Society	154



CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Islamic social finance is the term used to describe financial institutions and practices that support economic welfare, social justice, and equitable wealth distribution in accordance with Islamic teachings. It includes a variety of financial tools and mechanisms that uphold *Shari'ah* (Islamic law) and are intended to help society, especially those who are in needs and the poor. Thus, Islamic social finance plays a crucial role in wealth redistribution and poverty alleviation. One of important tools in this regard is Zakat, an obligatory donation that requires Muslims to donate 2.5 percent of their wealth to those in need. Voluntary charity, or Sadaqah, can be offered at any time and in any sum as acts of compassion or financial support. Waqf is giving resources away for social projects that benefit the community forever, such constructing public institutions. Takaful is a cooperative insurance scheme built on shared responsibility and mutual aid, while Qard Hasan is an interest-free loan intended to assist the poor without adding to their financial responsibilities. Islamic microfinance helps low-income people raise their financial situation by offering small, Shariah-compliant loans without charging interest (*riba*). Collectively, these tools advance Islamic principles-based ethical financial practices, social welfare, and economic fairness.

Islamic social finance institutions are generally considered as trusted non-profits bodies with supposedly effective management (Wahyuni-td & Fernando, 2021). Furthermore, Islamic social finance institutions have emerged as a vital force in driving financial resilience and societal well-being across Muslim countries, particularly during the COVID-19 pandemic, where their contributions were indispensable in alleviating economic hardship and supporting vulnerable communities (Fatur Rahman et al, 2021). However, these Islamic social finance institutions are also facing challenges, including poor governance and resource mismanagement, which have significantly eroded public trust, undermining their credibility and effectiveness in fulfilling their intended social and economic roles. The absence of standards and regulations for Islamic social finance

institutions, coupled with a lack of knowledge, poor managerial experience, and low compliance behaviors, have been identified as key causes contributing to the low performance of Islamic social finance institutions (Ahmad, 2019). The primary and most critical factor among these causes is the lack of effective governance (Sawmar & Mohammed, 2021).

The concept of good governance lacks a single universally accepted definition because it is a broad multi-dimensional term that varies depending on the context, culture, and goals of governance systems (Ferreira-Snyman & Ferreira, 2006). Different institutions, such as the United Nations, World Bank, and various governments, define good governance based on their specific objectives, priorities, and values. However, there are common characteristics typically associated with good governance (Andrews, 2008). These characteristics are: (a) accountability, where leaders and institutions are answerable to the public; (b) transparency, ensuring decision-making processes are open and accessible; and (c) participation, allowing citizens to engage in policymaking. It also requires (d) adherence to the rule of law, with laws applied fairly to protect justice and human rights. (e) Responsiveness is crucial, as governance must meet societal needs in a timely manner, while (f) effectiveness and efficiency focus on optimal resource use to achieve desired outcomes. Lastly, (g) equity and inclusiveness ensure that all, particularly marginalized groups, have opportunities to thrive. These characteristics are often interpreted differently across cultures and political systems. Additionally, priorities such as economic development, democracy, and human rights can shape how governance is evaluated, contributing to the variability in its definition.

Based on attempts in defining good governance by various international agencies, including the International Federation of Accountants and the Chartered Institute of Public Finance and Accountancy (IFAC and CIPFA, 2014), governance is fundamentally a comprehensive system that benefits all stakeholders and is responsible for ensuring the achievement of organizational goals. A framework has been developed to promote robust public sector governance, encompassing principles such as integrity, the rule of law, stakeholder participation or engagement, clarity of strategic vision, efficiency and effectiveness, capacity development, risk management, internal control, transparency, and accountability. However, the challenge remains in implementing the

relevant codes and principles of good governance (IFAC and CIPFA, 2014). Generally, good governance is understood as a strategic process and a set of practices that support an organization in achieving its objectives (Institute on Governance [IOG], 2003). It also involves the exercise of authority by an organization or a country in managing its activities (United Nations Development Program [UNDP], 1997). Moreover, governance comprises a set of active processes within an institution that establish its functions and structures (Shipley & Kovacs, 2008).

Looking from the Islamic worldview, good governance in Islam is rooted in the principles of justice, accountability, and ethical leadership, reflecting the broader Islamic values of social welfare and moral responsibility. It emphasizes the importance of serving the community and ensuring that resources are used for the common good. Islamic governance is guided by the concept of Shura (consultation), encouraging participatory decision-making where the voices of the community are considered in policy formulation (Rahman, 1984). Accountability is a core tenet of Islamic governance; leaders and officials are viewed as stewards (or Khulafā') of public trust, responsible for their actions and decisions. This is reinforced by the belief that all individuals will ultimately be held accountable by God for their deeds. Transparency is also essential, as it fosters trust between the governed and those in authority, ensuring that government actions are open to scrutiny. Additionally, good governance in Islam promotes social justice and the equitable distribution of wealth. It advocates for the welfare of marginalized groups, encouraging policies that uplift the poor and ensure access to essential services. This can be traced back to the establishment of Islamic social finance institutions. For an example, the concept of Zakat (obligatory donations) exemplifies this commitment to social responsibility by redistributing wealth to support those in need. Good governance in Islam seeks to create a balanced society where justice prevails, the rights of individuals are protected, and collective welfare is prioritized, thereby fostering harmony and stability within the community.

Another example of good governance and its practice in Islam can be traced back to the time of the Prophet Muhammad (PBUH). In one of the authentic Hadiths, it is reported that:

“It has been narrated on the authority of Abu Humaid as-Sa'idi who said: The prophet (may peace be upon him) appointed a man from the Al-Azd tribe who was called Ibn Lutbiyya in charge of Sadaqah to receive Sadaqah from the people on behalf of the State. When he returned with the collections (Sadaqat), he said: This is for you and this for me, it was presented to me as a gift. The narrator said: The prophet (may peace be upon him) stood on the pulpit and praised Allah and extolled Him. Then he said: What about a State official whom I give an assignment to and who (comes and) says: This is for you, and this has been presented to me as a gift? Why didn't he remain in the house of his father or the house of his mother so that he could observe whether gifts were presented to him or not. By the Being in Whose Hand is the life of Muhammad, any one of you will not take anything from it but will bring it on the Day of Judgment, carrying on his neck a camel that will be growling, or a cow that will be bellowing or an ewe that will be bleating. Then he raised his hands so that we could see the whiteness of his armpits. Then he said twice: O God, I have conveyed (The Commandments)” (*Sahih Muslim*: 4843).

In this Hadith, there is a strong warning directed at employees who are susceptible to committing significant misuse, especially in the prevailing culture of offering presents and gifts to those in power. In accordance with this Hadith, all offerings given to employees based on their official capacity are deemed illegitimate and tantamount to bribery. The act of giving and accepting bribes is unlawful and a form of corruption in this context. Good governance principles are meant to encourage the concerned authorities to conduct accountability, compliance, transparency, and disclosure duties in order to avoid misuse of power.

Nowadays, modern technologies are emerging that significantly impact the application of good governance across various sectors, including Islamic social finance institutions. While government-affiliated Islamic social finance institutions are required to align with advancements implemented by other governmental agencies, independent institutions enjoy greater flexibility in adopting technological innovations. Information and communication technologies (ICT) have considerable potential to aid in achieving good governance objectives (Sachdeva, 2002). When information technology activities are effectively aligned with governance goals, they can enhance overall effectiveness and efficiency. Specifically, these technologies improve transparency, accountability, trust, and disclosure in the governance process (Kalsi and Kiran, 2015). ICT is widely recognized as a driving force for development, serving as a powerful tool for the social

and economic empowerment of organizations and countries. Importantly for Islamic social finance institutions, internet technology can be immensely beneficial for increasing donations, enhancing efficiency, and boosting productivity while also providing simplicity, security, and time savings (Treiblmaier and Pollach, 2006; Li and Yu, 2020; Wong and Jusoff, 2011; Shier and Handy, 2012). Kalsi and Kiran (2015) and Sachdeva (2002) assert that ICT is instrumental in facilitating and enabling the implementation of good governance. Several studies define FinTech as a subset of information technology that enhances the efficiency of the financial services sector (Kim et al., 2016; Lee and Kim, 2015; Ryu, 2018; Shim and Shin, 2016).

The dynamic application between good governance, Islamic social finance, and FinTech plays a pivotal role in fostering ethical financial practices, enhancing accountability, and driving social impact within communities. Good governance establishes the foundational principles of transparency, accountability, and efficiency that are essential for the credibility and trustworthiness of financial institutions. In the realm of Islamic social finance, which encompasses instruments like Zakat, Sadaqah, and Waqf, effective governance is crucial for ensuring that funds are utilized appropriately for their intended social purposes, such as poverty alleviation and community development. By implementing robust good governance practices, stakeholders can mitigate risks of corruption and mismanagement, thus maximizing the impact of these financial initiatives.

Here, FinTech serves as a transformative force in this relationship, offering innovative solutions that enhance the accessibility and efficiency of Islamic social finance. By leveraging technology, FinTech platforms can streamline the collection and distribution of Zakat and Sadaqah, making it easier for donors to contribute and for beneficiaries to receive support. Furthermore, FinTech solutions and tools can improve good governance by providing real-time data analytics and transparency features, enabling stakeholders to monitor fund utilization and impact effectively. This integration of FinTech not only enhances the operational efficiency of Islamic social finance institutions, but also aligns with the principles of good governance by promoting accountability and responsible financial practices. Together, these elements create a synergistic effect that strengthens the integrity of Islamic social finance institutions,

while facilitating financial inclusion and empowerment within communities. The interplay of good governance, Islamic social finance, and FinTech ultimately leads to improved societal outcomes, fostering sustainable development and enhancing the overall welfare of society in alignment with Islamic values. Therefore, the adoption of FinTech would further enhance the application of good governance principles within Islamic social finance institutions.

It is timely to have this research. This research explores the roles of FinTech in good governance practices as applied in Islamic social finance institutions. While the government-affiliated Islamic social finance institutions are bound to follow the available practices as conferred by their main authorities, this research looks at independent non-profit Islamic social finance institutions. The researcher has selected the Direct Aid Society in Kuwait, as a case study due to their excellent performances.

This Direct Aid Society utilizes key Islamic social finance tools, namely Sadaqah, Zakat, and Waqf, to provide educational, healthcare, awareness, developmental, and public benefit projects for impoverished and remote communities in Africa and Yemen, thereby empowering disadvantaged populations. Based in the State of Kuwait, Direct Aid Society has been operational since 1981 and has representative offices in 31 countries across Sub-Saharan Africa and Yemen, which are all managed independently. It is a prominent charitable and developmental organization in the Middle East, particularly within the Gulf region. Direct Aid Society adheres to good governance principles and employs advanced FinTech tools, including a crowdfunding platform and various local and international payment gateways. It also utilizes e-wallets to reduce donation costs and streamline the donation process. In 2021, Direct Aid Society received a 3-star excellence rating from the European Foundation for Quality Management (EFQM) (Direct Aid, 2021). The recognition from EFQM reflects the trust that the Direct Aid Society has earned from numerous global organizations, which regard it as a reliable non-profit Islamic social finance institution known for its good governance and management performance (Direct Aid, 2021). Such recognition is unique in the State of Kuwait, especially regarding the performance and quality excellence. It contributes in enhancing performance and leadership, and consequently improving good governance and FinTech applications. Throughout its

extensive history, the Direct Aid Society and their practice has proven effective in supporting other organizations worldwide by leveraging its leading strategies and technology to facilitate performance improvements for over 50,000 organizations, all of which have benefited from the integration of best practices (Direct Aid, 2021).

1.2 STATEMENT OF THE PROBLEM

Islamic social finance institutions encounter unique governance challenges that set them apart from other organizations. This can be traced from their fund-raising activities. These institutions raise funds to support various activities, where the beneficiaries of these funds are not necessarily the ones who provide them. According to Wanyama (2014), transparency and accountability are two of the most pressing governance challenges, as many beneficiaries lack the capacity to demand accountability from such institutions. Furthermore, there is often little connection between beneficiaries and fund providers, except in instances where funders seek to monitor financial processes or engage with the recipients. Additionally, the regulations governing Islamic social finance institutions tend to emphasize limited aspects such as registration or licensing and operational activities, rather than focusing on governance, accountability, and transparency (Wanyama, 2014). This approach undermines the effective implementation of good governance principles within these institutions. The World Bank (2005) identified three key issues contributing to poor governance in non-profit organizations, which are: (i) perceived weaknesses in the regulatory framework and financial accountability, (ii) the influence, scope, and cost-effectiveness of non-profit projects and activities, and (iii) the implications of funding changes that drive organizations toward commercial activities and micro-finance returns. These challenges arise from a broader lack of good governance and inadequate monitoring within non-governmental organizations (NGOs) and non-profit charitable organizations, including Islamic social finance institutions. Addressing these governance issues is essential for enhancing the effectiveness and credibility of these organizations, ultimately enabling them to serve their intended beneficiaries and communities more effectively.

These challenges are particularly evident in Kuwait, despite the positive reputation of its social finance industry from both governmental and non-governmental perspectives. The country has garnered international recognition as a global Humanitarian Center by the United Nations (UN) for its efforts in delivering aid to affected countries worldwide (The State of Kuwaiti Ministry of Foreign Affairs, 2014). However, the social finance industry in Kuwait continues to struggle with a lack of comprehensive guidelines and regulations for implementing good governance practices. Currently, there are no regulations mandating social finance institutions in Kuwait to adhere to good governance standards, aside from a declaration issued by the Ministry of Social Affairs on December 8, 2020, which merely encouraged NGOs to adopt good governance principles without imposing any commitments (The State of Kuwait, Ministry of Social Affairs, 2020). This absence of enforced good governance principles may have detrimental effects on the social finance industry in Kuwait, potentially undermining its credibility and effectiveness in serving the community. Moreover, with the continuous adoption of FinTech by those social finance organizations, it is pertinent to closely monitor the practices of good governance.

Therefore, there is evidently a crucial need to explore the roles of FinTech-good governance practices in independent Islamic social finance institutions in Kuwait. Here, the Direct Aid Society in Kuwait is selected as a case study due to their well-known reputation, good governance practices, and advancement of FinTech tools in carrying out their charitable Islamic social finance activities. By having this case study, good governance of independent Islamic social finance institutions, such as the Direct Aid Society, can be exposed to the public at large and possibly to be followed. This is important to continue the efforts in enhancing good governance practices in Kuwait.

1.3 RESEARCH OBJECTIVES

The main objectives of the research are:

- i. To examine the roles of good governance at Islamic social finance institutions and Direct Aid Society in Kuwait;

- ii. To identify the roles of FinTech tools at Islamic social finance institutions and Direct Aid Society in Kuwait;
- iii. To investigate issues and challenges in adopting good governance at Islamic social finance institutions and Direct Aid Society in Kuwait;
- iv. To investigate the impact(s) of using FinTech tools on the practice of good governance at Islamic social finance institutions and Direct Aid Society in Kuwait;
- v. To recommend the necessary principles that need to be present in Fintech-good governance practice(s) in Islamic social finance institutions, such as Direct Aid Society.

1.4 RESEARCH QUESTIONS

This research seeks to answer the following questions:

- i. What are the roles of good governance at Islamic social finance institutions and Direct Aid Society?
- ii. What are the roles of FinTech tools at Islamic social finance institutions and Direct Aid Society?
- iii. What are the issues and challenges in the adoption of good governance at Islamic social finance institutions and Direct Aid Society?
- iv. What is the impact of using FinTech tools on the practice of good governance at Islamic social finance institutions and Direct Aid Society?
- v. What are the necessary principles of good governance that need to be present in Fintech based Islamic social finance institutions, such as Direct Aid Society?

1.5 SCOPE AND LIMITATION OF THE STUDY

The study focuses on the roles of FinTech-good governance practices for independent non-profit Islamic social finance institutions, with a special case study of Direct Aid in Kuwait. By referring to Direct Aid in Kuwait, Sadaqah, Zakat and Waqf are the main mechanisms of Islamic social finance that will be discussed in this research. Along with

diving into the practices of good governance standards and their criteria or indicators, this research will look at Direct Aid Society and their performance assessments from the period of 2020 to 2022. There are a lot of FinTech and its tools nowadays. This research will look at crowdfunding and digital payments as practiced by Direct Aid in Kuwait. The study adopts qualitative research methods by using semi-structured interviews and analysis of data collections from official documents received from Direct Aid in Kuwait. Since the principles of good governance are varied from one country to another country, influenced by their legal system and cultural perspectives, this research will follow the good governance as applied in Kuwait for the independent non-profit Islamic social finance institutions.

1.6 HYPHOTHESIS OF THE RESEARCH

- 1- The use of FinTech and its tools have a positive impact on the application of good governance in the independent non-profit Islamic social finance institutions, especially Direct Aid in Kuwait.
- 2- FinTech-good governance of the independent non-profit Islamic social finance institutions are applying the principles of good governance such as transparency, disclosure, accountability and financial stability.

1.7 SIGNIFICANCE OF THE STUDY

The study combined between the use of FinTech tools and the application of good governance in Islamic social finance institutions. Therefore, it has multiple contributions to different aspects including Islamic social finance institutions, stakeholders in Kuwait, good governance practice, policy makers and literature and knowledge.

1.7.1 Significance to Islamic Social Finance Institutions

Many Islamic social finance institutions in general and in the State of Kuwait do not have the capacity to establish good governance system fully due to couple of reasons

such as the high cost or it is not compulsory as in the State of Kuwait. Thus, the outcome of this study tries to provide a solution through proposing FinTech-good governance practices such as Direct Aid Society, which focuses on exploring the impact of using FinTech tools of crowdfunding and digital payment on the adoption of good governance at Islamic social finance institutions. Top of that, this proposal of FinTech-good governance practices contributes to enhancing the institutional performance of the independent non-profit Islamic social finance institutions.

1.7.2 Significance to Stakeholders in Kuwait

The outcome of this study tries to enhance the stakeholders' interest, especially beneficiaries and donors as the beneficiaries can easily know who donated for them through the website based crowdfunding platform. In addition, donors can easily track their donations and choose freely from the beneficiaries and projects to donate for, through the enhanced website based crowdfunding platform. Furthermore, the diversification of payment gates, both national and international, helped in addressing a huge number of donors worldwide. For employees, all their tasks and actions are properly recorded and documented, so that their mistakes would significantly be reduced. For supervisory bodies, the use of FinTech tools helps in documentation process accurately and quickly, therefore eases the supervision process significantly.

1.7.3 Significance to Good Governance Practice

The investigation on the selected case study of Direct Aid Society in Kuwait may give valuable insights on improving the application of good governance and avoid inappropriate practices, especially with adopting FinTech-good governance practices. This investigation may also ease the way for other Islamic social finance institutions in Kuwait in their application of good governance practices because all non-for-profit organizations in The State of Kuwait have similar stakeholders, and they follow the same supervision authorities.

1.7.4 Significance to Policy Makers

By discussing different guidelines of good governance adoption, the study may be beneficial for the policymakers and regulators in The State of Kuwait as the country is planning to legislate laws and regulations to commit NGOs and social finance institutions to apply good governance standards compulsory (Alanba newspaper, 2021). Besides, the use of FinTech-good governance would clarify to the supervisory bodies in Kuwait that the use of FinTech enhances and strengthens the application of good governance adoption so that they take it into consideration while setting legislations to the social finance industry.

1.7.5 Significance to Literature and Knowledge

To the best of the researcher' knowledge, this study may be the first of its kind that explores the role of FinTech tools of crowdfunding and digital payment in improving the practice of good governance in Islamic social finance institutions, especially in the State of Kuwait. Thus, the study enriches the existing literature and strengthens the knowledge and understanding on this subject matter.

1.8 ORGANIZATION OF THE STUDY

This study is structured into six chapters as follows:

Chapter One: Introduction, this chapter covers the background of the study, statement of the problem, research objectives, research questions, scope of the study, significance of the study, and lastly the organization of the study.

Chapter Two: Literature Review, the literature review firstly elaborates on the background of social finance and the determinants of the social finance industry and Islamic social finance industry, in addition to discussing the issues related to Islamic social finance industry. Next, the researcher provides an overview of governance and good governance in general, discusses good governance for Islamic social finance

institutions, and elaborates on some issues regarding the practice of good governance in Islamic social finance institutions. Thirdly, the chapter presents an overview of the FinTech industry and the usage of FinTech tools in social finance institutions, as well as discussing the role of FinTech in improving the practice of good governance in general. Lastly, the researcher points out the gaps in the literature, which this research addresses to achieve the research objectives.

Chapter Three: Methodology of the Study, this chapter defines the methodology of the study specifically concerning the research strategy, research design, data collection, population, sample size, accessibility, as well as data analysis methods.

Chapter Four: Examination of the Case Study, this chapter examines Direct Aid Society in-depth in terms of the development of good governance and the usage of technology, specifically FinTech tools. The chapter reveals Direct Aid Society's approach towards project implementation and its relationship with good governance and FinTech, as well as discusses the researcher's point of view regarding the impact of using FinTech on the practice of good governance.

Chapter Five: Analysis and Findings, in this chapter, the researcher analyzes the collected data and discusses the findings to derive accurate conclusions and recommendations.

Chapter Six: Conclusion and Recommendations, in this final chapter, the researcher provides a summary of the study, the overall conclusion, as well as recommendations and suggestions for future studies.

1.9 THEORETICAL FRAMEWORK OF THE STUDY

This study employs three theories that are applied in social studies in general and social finance in particular as the base for the research to achieve its objectives. The three relevant theories are: the neo-institutional theory, the stakeholder theory, and the legitimacy theory. These theories lead to derivation of the conceptual framework of the study.

1.9.1 Neo-Institutional Theory

This theory asserts that, over time, organizations become interested in following and be structured by social norms and rituals (DiMaggio and Powell, 1983). This theory addresses the interaction between the organization and the environment in which it operates. In terms of the neo-institutional perception, there are three types of institutional pressures: coercive which is regulatory, mimetic or cognitive, and normative which is standardization. Such pressures collectively rationalize the wide adoption of good governance principles at the organization or country level (Sarhan & Ntim, 2018). The first institutional pressure, i.e., coercive, specifies that it is compulsory for organizations to adhere to governmental regulations. The second pressure, i.e., memetic, suggests that organizations may track the steps of those which are effective and successful in their field. The third pressure, i.e. normative, indicates that to gain stakeholders' confidence, organizations may optionally follow conventional practices and norms (Yoshikawa & Rasheed, 2009). Thus, the institutional theory argues that organizational practices, over time, will become isomorphic due to these three pressures (DiMaggio & Powell, 1983, 1991; Bose et al., 2018).

This study applies the neo-institutional theory, which incorporates both efficiency and legitimation motives (Ntim & Soobaroyen, 2013a, b; Elmagrhi et al., 2016; Kim, 2016), to explain the adoption of good governance principles in the selected case study. Firstly, from a legitimation viewpoint, Islamic social finance institutions can enhance their legitimacy by mimicking successful international organizations in the same field to address this type of institutional pressure (Ashforth & Gibbs, 1990; Suchman, 1995). Hence, they can obtain organizational legitimacy by showing compliance with good governance practices. Similarly, the neo-institutional theory argues that by adhering to coercive, mimetic, and normative institutional forces, Islamic social finance institutions can increase their critical resources towards improving good governance and shareholder interest (Aguilera et al., 2007). The selected case study can only deal with two pressures under the neo-institutional theory namely mimetic and normative pressures. This is because in the mandate of the selected case study, i.e., in

The State of Kuwait, there are no regulations regarding the commitment to apply good governance standards.

1.9.2 Stakeholder Theory

This theory basically emphasizes performance and business effectiveness in managing ethics, values, and morals. Moral motivation and rational self-interest are the two typical domains emphasized in this theory (Valentinov & Hajdu, 2019). The theory deals with the obligation of respecting stakeholder interests (Oruc & Sarikaya, 2011). As a consequence, social finance institutions are required to be sensitive and responsible over their requirements and the expectations of stakeholders. Organizations fundamentally consist of several individuals and groups with diverse expectations. The Institute on Governance (IOG) (2003), derived from the United Nations Development Program's (UNDP) (1997) good governance principles, also emphasizes the importance of the organization's effectiveness in protecting stakeholder interests. The idea behind these principles is the relationship between the protection of stakeholder interests and the adoption of good governance. The success in protecting stakeholder interest depends on how effectively the organization manages its relationships with all the key related parties including employees (Wahyuni-TD & Fernando, 2021). Hence, the stakeholder theory is used in the current study to describe the multipart interactions among the stakeholders in Islamic social finance institutions that practice good governance. Therefore, the study employs this theory on the case study as it adopts good governance and attempts to explore the role of FinTech in the application of good governance which would enhance stakeholder protection in Islamic social finance institutions.

1.9.3 The Organizational Legitimacy Theory

This theory provides an important theoretical framework to the relationship between the legitimacy of an organization and its community acceptance. Legitimacy is considered as “the right to rule and the recognition by the ruled of that right” (Jackson et al., 2012). Legitimacy is also known as “a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system

of norms, values, beliefs and definitions” (Suchman, 1995). This theory considers “legitimacy” as a resource that an organization relies on for its survival (Dowling & Pfeffer, 1975; O’Donovan, 2002). Accordingly, legitimacy supports voluntary compliance because people believe that they are obliged to follow the law as an ethical commitment to do the right thing (Tyler, 2006). Moreover, legitimacy is a “resource” that the organization is deemed to be able to impact through different disclosure-related strategies (Woodward et al., 1996). Organizational legitimacy is determined by the activities and outcomes of the organizations. When a real or probable gap emerges between the value system of the organization and the society, organizational legitimacy may be threatened, which may take forms of legal, social, or economic sanctions (Suchman, 1995). Hence, the legitimacy of authority not only refers to obligations to follow, but also the moral alignment with a wider set of ideas, values, and beliefs of the society (Sawmar & Mohammed, 2021). According to Tyler (2006), the legitimacy trait of public authorities is significant because governing communities solely by power requires huge resources in order to monitor public behavior and enforce compliance with the law.

In the context of this research, it is important to demonstrate the legitimacy of Islamic social finance institutions through the adoption of good governance practices so as to fulfill the stockholders and society’s expectations about Islamic social finance institutions.

1.9.4 Related Studies that Adopt the Same Theories

Several related studies adopted the same theories as the current study, as shown in Table 1.1 below.

Table 1.1 Related Studies That Adopted the Same Theories

Author	Study	The adopted theory
Parvin. M, Birner. R, (2021)	Analyzing Governance Challenges Using Process Net-Map: A Case	Stakeholder theory

Author	Study	The adopted theory
	Study of a Government Microcredit Scheme in Bangladesh	
Kamal, Y. (2021)	Stakeholders' Expectations for CSR-Related Corporate Governance Disclosure: Evidence from a Developing Country	Legitimacy theory Stakeholder theory Institutional theory
Sawmar. A, Mohammed. M, (2021)	Enhancing Zakat Compliance Through Good Governance: A Conceptual Framework	Organizational legitimacy theory Stakeholder theory
Wahyuni-TD. I, Haron. H, Fernando. Y, (2020)	The Effects of Good Governance and Fraud Prevention on the Performance of Zakat Institutions in Indonesia: A Shari'ah Forensic Accounting Perspective	Stakeholder theory
Sarhan. A, Ntim.C (2018)	Firm- and Country-Level Antecedents of Corporate Governance Compliance and Disclosure in MENA Countries	Neo-institutional theory
Stuebs. M, Li Sun, (2015)	Corporate Governance and Social Responsibility	Stakeholder theory
Kalsi. N, Kiran, R, (2015)	A Strategic Framework for Good Governance through E-Governance Optimization	Stakeholder theory
Mustafa. M, Mohamad. M, Adnan. M (2013)	Antecedents of Zakat Payers' Trust in an Emerging Zakat Sector: An Exploratory Study	Organizational legitimacy theory

1.10 CONCEPTUAL FRAMEWORK OF THE STUDY

The research objectives and research questions are outlined more clearly to ease the understanding of the expected findings and outcomes. Jabareen (2009) defines the conceptual framework as a network of related or interlinked ideas, theories, and concepts that when gathered in one form would deliver a better viewpoint and inclusive understanding of the phenomenon being studied.

This study's conceptual framework was developed based on three theories namely the neo-institutional theory, the stakeholders' theory, and the legitimacy theory, combined with the good governance standards adopted at Direct Aid Society which serves as the case study. A brief explanation of each component of the conceptual framework is presented below.

- 1- **Compliance and commitment standard:** This is the first standard of good governance that the case study adopts. The standard measures the extent to which the organization complies with the laws, regulations, and guidelines that regulate its activities. The proportional weight of this standard is 40%, and the standard consists of four main scopes with 13 indicators. The indicators comprise 154 questions to reflect their performance (Direct Aid, 2021). On top of that, there are 41 practices or actions, and for each practice there is a guideline. This guideline contains the key information and some of the proposed activities, tools, and modules that support and guide the application of the standard (HRSD, 2020).
- 2- **Financial stability standard:** This standard measures the performance of the organization by evaluating its efficiency, ability, and financial sustainability, as well as the efficiency of the financial regulation. The proportional weight of this standard is 40%, and the standard consists of main two scopes with 10 main indicators. The indicators comprise 67 questions to reflect their performance (Direct Aid, 2021). The standard's indicators are divided into two: i) financial performance indicators whereby all the requirements and sources for measuring the organization's performance are determined through five main indicators and 11 sub-

indicators, and ii) financial regulation indicators which consist of five indicators and 13 sub-indicators for measuring the extent of the organization's compliance and commitment to the ruling laws and regulations on financial activities, and its extent in regulating and controlling its financial operations towards achieving the best financial governance practices (HRSD, 2020).

- 3- **Transparency and disclosure standard:** This standard measures the extent to which the organization is willing to publish information about its reasons for existence, its implemented activities, and financial statements as well as explaining its operations and activities to the stakeholders. The proportional weight of this standard is 20%, and the standard consists of two main scopes with 6 indicators. The indicators comprise 48 questions to reflect their performance (Direct Aid, 2021). The standard also contains 16 practices and for each practice there is a guideline. This guideline contains the key information and some of the proposed activities, tools, and modules that support and guide the application of the standard (HRSD, 2019).
- 4- **FinTech tools:** The usage of FinTech tools has promptly disrupted and transformed the global financial system via the design of new business models, investment opportunities, and revenue streams (Chen et al., 2019; Das, 2019; Liu et al., 2020). It is also used broadly in social finance industry including NGOs, waqf, zakat, and microfinance institutions to increase funding for various causes (Sahri et al., 2021). FinTech tools, according to a survey by FSI (2020), include digital banking, digital payment services, crowdfunding platforms, e-money, insurance technology, robo-advice blockchain, and financial activities related to crypto assets.

As the case study practices good governance, it also uses some FinTech tools including the crowdfunding platform, especially adopts donation-based crowdfunding model. According to Massolution (2012), donation-based crowdfunding is a simple model, where fund providers donate only for charity purposes without any expected returns. With digital payments,

Direct Aid Society provides different payment gates both locally, such as K-net, and internationally, such as Visa, Mastercard, and Apple pay. It also provides mobile payment, e-wallet, and auto-donation services to reduce the cost of donation, and to ease and accelerate the donation process.

5- Stakeholders' interest protection: Effective management of stakeholder relationship is key to an organization's success whilst successful relationships are based on trust (Hill & Jones, 1992). At the same time, trust can be interpreted into different principles such as transparency, disclosure, sustainability, compliance, and commitment. Corporate governance plays an important role in building trust through several principles and standards. In the context of this research, stakeholder protection is important because in raising funds to undertake projects, the beneficiaries are usually not the fund providers. Also, the beneficiaries are not capable of demanding accountability. Generally, both the beneficiaries and the fund providers are not part of the organizational structure; therefore, it is not easy for them to access information and check the organizations' operations. Most fund providers do not meet and interact with the beneficiaries except if the funders request to visit the beneficiaries and check on them (Simeon, 2014). Stakeholder interest in Islamic social finance institutions is mostly summarized as the quality of the social impact made in terms of empowering disadvantaged communities in aspects such as health, education, public benefit, and provision of development projects. Hence, this study investigates the role of FinTech tools in improving good governance and stakeholder protection in Islamic social finance institutions. Figure 1.1 shows the conceptual framework that guides this study in achieving the research objectives.

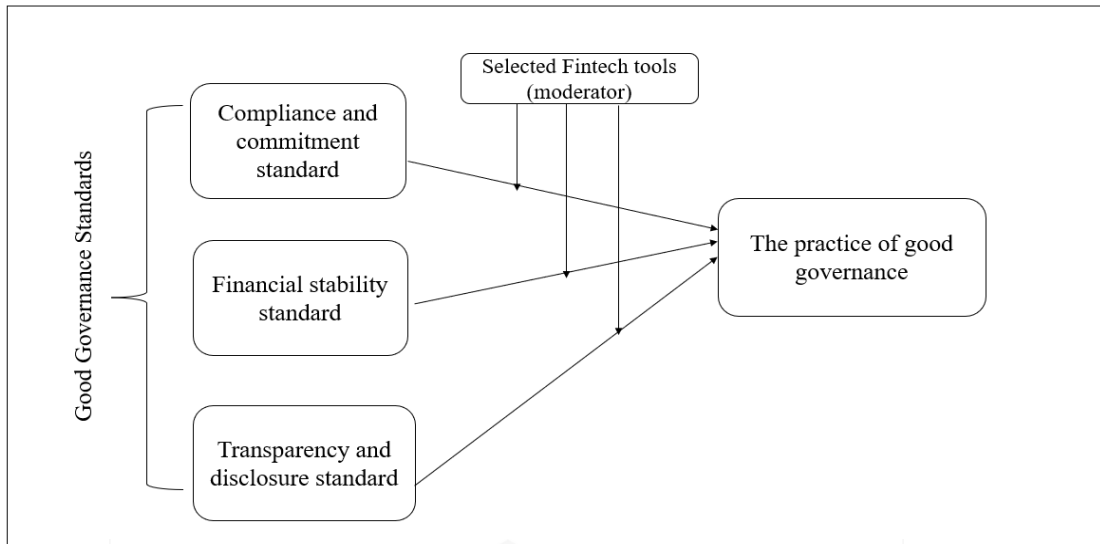


Figure 1.1 Conceptual Framework
Source: Author's own

1.11 CHAPTER SUMMARY

This chapter has 10 sections. The first section focuses on the background of the study entailing a discussion on the connection between the multiple disciplines involved in this study namely Islamic social finance, good governance, and financial technology. The second and third sections elaborate on the statement of the problem and the research questions. The fourth section presents the research objectives. The fifth section discusses the scope of the study whilst the sixth section discusses the three main significances of the study. The seventh section discusses the structure and organization of this study. The eighth section discusses the three underpinning theories whilst section nine presents the conceptual framework. Finally, this last section summarizes the entire chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is divided into four main sections. In the first section, the researcher discusses social finance and Islamic social finance industry globally and in the state of Kuwait along with its related issues and differentiates between Islamic social finance institutions in general and Independent Non-profit Islamic Social Finance (INPISF). In the second section, the researcher discusses good governance in general and elaborates on the practice of good governance principles in the Islamic social finance industry along with its related issues. The third section focuses on FinTech tools and their use in the social finance industry and Islamic social finance industry, specifically their role in enhancing good governance. Finally, the researcher presents the research gap as identified from the literature.

2.2 CONCEPTUAL STUDY OF SOCIAL FINANCE AND ISLAMIC SOCIAL FINANCE INSTITUTIONS GLOBALLY AND IN KUWAIT

2.2.1 Background of Social Finance

Social finance refers to the deployment of financial resources mainly for social and environmental returns, and in some cases, for financial returns. There are two distinct and historically incompatible traditions in social finance that are related to capital allocation and of which come together in the new hybrid of institutions and logics. The first tradition entails donation-based financing, public expenditure, and mutualism which are used mainly to create public goods according by specific beneficiaries or societies. The second tradition is related to the investment approach and practice of finance to reshape the processes by which the capital generates social or environmental returns (Moore et al., 2012). Generally, the social finance concept entails various models and approaches such as venture philanthropy, microfinance, crowdfunding, social impact bonds, socially-responsible investments, alternative currencies, and social investment (Périlleux, 2015; Allison, Davis, Short, & Webb, 2015; Howard, 2012; Howard, 2020). Harji, Kjørven, and Geobey)2012(proposed that social finance has a

triple bottom line, which aims to deliver social, environmental, and economic benefits (people, planet, profit). Another study states that social finance institutions entail foundations that obtain funding only from donors and grants, and commercial banks that are funded at market prices and provide loans at market rates. In short, the study divided social finance institutions into two: quasi-foundations providing grants in addition to loans at free interest, and social banks providing loans below market interest rate (Cornée et al., 2018).

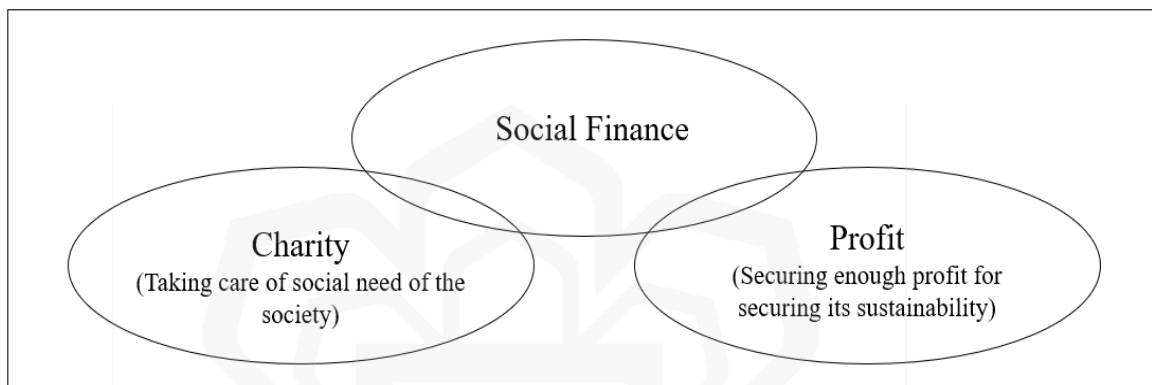


Figure 2.1 The Role of Social Finance.
Source: Adopted from Rexhepi (2016)

Social finance hence falls between charity and profit. The idea is that the institution should gain profit in order to secure its presence in the long term, and by doing so it preserves its return of social and environmental needs as shown in Figure 2.1. Social finance institutions should not rely solely on charities; charities could serve as the initial form of financing, but should not be the only form (Cetina & K and Preda, 2013).

There is no clear and agreed definition of social finance, nor its epistemological boundaries and institutional structures (Langley, 2020). The types of social finance institutions cannot be easily specified either. However, community development corporations seem to play a significant role in the field of social finance (Weber & Geobey, 2011). Thus, this study agrees with Cornée (2018) who defined social finance institutions as quasi-foundations that can be effective vehicles for social finance whereby it delivers grants as well as loans at free interest, particularly when the cost of social screening is relatively low. Additionally, they make profit in order to secure their long-term implementation for the purpose of achieving social returns. In the context of

this research, the researcher agrees with such definition because the underlying case study, i.e., Direct Aid Society addresses the three dimensions of charity, interest-free based loans, and the attainment of adequate profit to secure its sustainability. Nevertheless, Direct Aid Society is considered as an Islamic social finance institution. In the next section, the determinants of Islamic social finance institution are discussed.

2.2.2 Background of Islamic Social Finance Institutions: A Global Perspective

Islamic Social Finance Institutions (ISFIs) have become essential components of the global finance sector, as they are the only entities that integrate social responsibility with religious compliance (Wahyudi, I., Yama, I., & Said, M, 2025). ISFIs employ Islamic financial instruments, including *Zakat*, *Sadaqah*, and *Waqf* (endowments), to facilitate socioeconomic development, alleviate poverty, and support humanitarian initiatives in both Muslim communities and the global context (Wahyudi et al., 2025). ISFIs are gaining global recognition for their potential to complement conventional financial systems, notably in regions with significant Muslim populations. Southeast Asia, the Middle East, North Africa, and Sub-Saharan Africa are particularly noteworthy. For instance, Indonesia's National Zakat Board (BAZNAS) efficiently administers substantial zakat funds to enhance disaster relief, education, and healthcare (Iqbal & Mirakhor, 2017). In the same vein, Malaysia's Tabung Haji, which was initially established to facilitate pilgrimage activities, makes investments in infrastructure projects, social welfare initiatives, and financial inclusion programs. Dubai's Awqaf and Minors Affairs Foundation in the United Arab Emirates exhibits effective management of waqf assets by allocating them to educational and healthcare initiatives (Iqbal & Mirakhor, 2017).

The ethical underpinnings of Islamic financial institutions (ISFIs) are profoundly rooted in Shariah law, which explicitly forbids practices that involve speculation (*Gharar*), interest (*Riba*), and unethical investments including gambling or alcohol production (Hassan & Lewis, 2007). Effective adoption of Islamic social finance tools requires good governance to ensure transparency, disclosure, accountability, and professionalism as well as innovation through fintech tools such as mobile applications, digital platforms and blockchain to enhance efficiency, outreach, and trust (Ibrahim, N.

2023). However, challenges continue in regulatory harmonization, institutional performance, and standardized impact measurement, and (Wahyudi et al., 2025). ISFIs continue to encounter substantial obstacles on a global scale in their operational efficiency and broader acceptability are significantly impeded by regulatory inconsistency, inadequate governance standards, and limited public awareness (Abdul-Rahman & Nor, 2023). Cross-border operations are complicated by the diverse regulatory frameworks that exist across countries. For example, the scalability and international cooperation of Islamic financial institutions (ISFIs) are substantially restricted by the disparity in zakat calculation methods and waqf management regulations. It is imperative to standardize international governance and regulatory frameworks in order to overcome these obstacles (Abdul-Rahman & Nor, 2023).

According to Hassan (2008) as cited in Khan (2012), each Islamic social finance instrument has its own characteristics and Fiqh ruling as elaborated in the table below.

Table 2.1 Comparison of the Main Islamic Social Finance Instruments

Instruments Items	<i>Waqf</i>	<i>Zakah</i>	<i>Lillah (Sadaqah)</i>
Nature	Optional	Mandatory	Optional
Rate	Any amount	Fixed rate	Any amount
Expense categories	Flexible expense category. Donors can decide.	Eight fixed expense categories as approved by <i>Shari'ah</i> .	Flexible expense category. Donors can decide.
Spend	Generally capitalized.	Generally spent within one year.	Generally spent within one year.
Investment	Invested in social or economic assets.	Generally, not invested – needs to be discharged as soon as possible.	Generally, not invested –may be discharged according to need and mandate.
Shariah governance: Liability	Donor must be sane, of age, male or female.	Liability for payment governed by Shariah.	Any person can give.

Instruments Items	<i>Waqf</i>	<i>Zakah</i>	<i>Lillah (Sadaqah)</i>
Mutawallee/trustee	The Mutawallee must be appointed (trustee).	Mutawallee is not necessary.	Mutawallee is not necessary.
Continuity	A continuous charity with continuous reward.	Generally not continuous.	Generally not continuous.
Capital base	Forms a capital base for sustainable community development.	Not capital base.	Not capital base.
Beneficiaries	May be applied to all irrespective of creed.	Applied only to Muslims.	May be applied to all irrespective of creed.
Time for payment	Can be paid at any time.	Paid at a specific time.	Can be paid at any time.
How payment is affected	Can take the form of any asset – cash, land, coins, jewelry.	Generally paid in cash or stocks.	Can take the form of any asset.

Source: Adapted from Hassan (2008) as cited in Khan (2012)

The above-mentioned instruments of Islamic social finance only represent Islamic charity instruments. However, there are other instruments based on cooperation e.g, Qard Hassan, kafala and the Islamic microfinance, in addition to any socially responsible and sustainable investment that is *Shari'ah* compliant. Generally, in all Islamic finance transactions, there are five fundamental prohibitions that must be observed namely *Riba*, *Maysir* *Gharar*, unethical investment, and profit without liability (Ali et al., 2010; Billah, 2019).

In short, Islamic social finance leads to better wealth distribution through its charity instruments (e.g., *Waqf*, *Zakat*, and *Sadaqah*) as well as cooperation-based instruments (e.g., Qarad Hassan, Islamic microfinance, and *Shari'ah* compliant socially-responsible investment). In the context of this study, the underlying case study

namely Direct Aid Society employs most of the Islamic social finance instruments including *Waqf*, *Zakat*, *Sadaqat*, *Qaurd Hassan*, and Islamic microfinance. It also participates in certain Islamic enterprises and investment for the purpose of financial sustainability so that it can secure social returns for developing disadvantaged communities. Besides, the current study tries to pay attention to enhance governance mechanisms of ISFIs.

2.2.3 Background of Islamic Social Finance Institutions in Kuwait

Islamic Social Finance Institutions (ISFIs) in Kuwait make a substantial contribution to socioeconomic development. Such institutions are essential for the mobilization and allocation of resources with the objective of promoting communal solidarity, reducing poverty, and enhancing social welfare (Alhammadi, S. 2022). The state of Kuwait has all legal forms of the charity-based Islamic social finance institutions including Zakat institutions, Waqf institutions and charity organizations which are commonly named as non-profit organizations NPOs. First form of ISFIs, The Kuwait Zakat House, which was established by governmental decree in 1982, is a critical component of Kuwait's ISFIs (Zakat House, 2020). The organization is responsible for the systematic collection of Zakat, one of Islam's five pillars, and the distribution of funds to support poverty alleviation, disaster relief, and socioeconomic empowerment initiatives domestically and internationally (Zakat House, 2020). It has been an effective tool in addressing social inequality and enhancing the living standards of vulnerable populations due to its strategic outreach programs and operational transparency (Zakat House, 2020).

Second form of ISFIs, The Kuwait Awqaf Public Foundation (KAPF), which was established in 1993, is essential for the management of Waqf (endowment) funds. These endowments establish sustainable long-term support mechanisms by financing educational scholarships, healthcare services, and a variety of public welfare initiatives (KAPF, 2021). The KAPF strategically administers these endowments through investment portfolios that are designed to ensure both profitability and compliance with Shariah principles, thereby generating consistent funding streams for social welfare projects (KAPF, 2021).

Third form is the work of larger ISFIs which is complemented by a multitude of Islamic non-profit organizations (NPOs) that implement targeted interventions and address specific social issues with using zakat, waqf and Sadaqah. This form includes the case study of the current research called Direct Aid Society. According to the of Kuwaiti Ministry of Social Affairs, (2025) there are 163 registered charitable institution, most of which are influenced by Islamic principle. The researcher named this third form of Islamic social finance institutions as Independent Non-profit Islamic Social Finance (INPISF). This is to differentiate between the institutions that is run directly or indirectly by the government of Kuwait e.g. Kuwait Ministry of Awqaf and Islamic Affairs, The Kuwait Zakat House and The Kuwait Awqaf Public Foundation from one hand. On the other hand, the INPISF are run independently.

2.2.4 Independent Non-profit Islamic Social Finance in Kuwait (INPISF)

Independent non-profit Islamic social finance institutions (INPISF) operate independently of government and without profit motives. At the same time, they are entities that integrate Islamic finance principles with social responsibility to mobilize resources for social welfare, poverty eradication, and sustainable development (Obaidullah & Shirazi, 2015).

Among the most influential Independent non-profit Islamic social finance institutions in Kuwait is Direct Aid Society, which is the case study of the current research. It was founded in 1981 with the objective of empowering the African communities through development-oriented Islamic philanthropy (Direct Aid, 2024). It executes a wide range of initiatives in the areas of health, education, water access, and economic empowerment in over 30 countries and Yemen. The organization employs fintech tools including web-based crowdfunding system, digital payments, e-wallet and mobile app. In addition, it adopts good governance practices to ensure accountability and transparency, while also utilizing Zakat, Sadaqah, and Waqf-based financing.

(Direct Aid, 2024). Chapter number four of the current study is dedicated to explaining the case study of Direct Aid Society in more detail including the use of fintech and good governance practices.

The state of Kuwait has around 163 Independent non-profit Islamic social finance institutions (MOSA, 2025). The most prominent Independent non-profit Islamic social finance institutions in Kuwait have similar activities and projects as well as they have almost the same Islamic social finance tools as Direct Aid Society, and they may differ in terms of the geographical scope of projects implementation globally. They include e.g. Rahma International Society, it operates across more than 40 countries, Al-Najat Charity Society was founded in 1978, Islamic Heritage Revival Society, Patients Helping Fund Society, International Islamic Charitable Organization and Sheikh Abdullah Al-Nouri Charity Society (MOSA, 2025).

2.2.5 Issues in Social Finance industry

In this section, the researcher discusses the issues facing social finance including the Islamic counterparty which Independent non-profit Islamic social finance institutions are not an exception. In this regard, the extent and severity of the issues and challenges facing social finance institutions in developing countries are different from the private and government industry (Bromideh, 2011). However, there are common and important issues including those related to the decision-making process. Tensions typically arise between the senior managers and staff because the latter expects that they would be equal partners in the decision-making process. Another common issue is the lack of governance and poor internal relations between staff and board members (Mukasa, 2002). Over the years, however, social finance institutions have proven their value to society; their management is gradually becoming more professional in line with their growing familiarity with the business models adopted by for-profit institutions (Renz, 2016). Dan (2020) found 36 challenges in the literature of social finance. The study extracted the most common challenges and analyzed them, including: 1) effective communication, 2) trust, 3) collaboration with the government, 4) people management/conflict resolution, 5) the exodus of knowledge workers, and 6) funding.

Meanwhile, Kusmanto (2013) discussed several prominent issues faced by social finance institutions in Malaysia. The first issue is the decline in funds due to severe recession in the donors' countries (Baxi & Saikia 2003; Lekorwe & Mpabanga,

2007; Ottka, 2010; Okorley & Nkrumah, 2012). The Global Humanitarian Assistance (2012) observed a relationship between the economic conditions in the donors' countries and their donation size. However, Velaphi (2012) proved that most NGOs could properly manage the issue of funding decline, i.e., by tapping the full potential of new sources of funding. The second issue is related to governance, which is an internal threat to social finance industry's sustainability. Even though such issues arise from within the social finance institution, it has a robust connection with the reduction of funds (Jepson, 2005). The third issue is related to management, which is also an internal issue. According to Amos-Wilson (1996) and Okorley and Nkrumah (2012), this issue occurs due to the underestimation of the social finance industry's management.

The lack of Islamic social finance institutions standards and regulations, low experience, lack of knowledge in management, and low compliance behaviors have also been indicated as the main causes of low performance in Islamic social finance institutions (Ahmad, 2019). Evidently, these issues are linked directly or indirectly to poor governance (Sawmar & Mohammed, 2021). The International Federation of Accountants and the Chartered Institute of Public Finance and Accountancy, among others, define governance as a comprehensive system that benefits all related parties and is responsible for achieving the mission of the institution. A framework for governance has also been developed with the aim of promoting robust public sector governance. The framework identifies several principles of good governance namely integrity, the rule of law, participation or stakeholder engagement, clarity of strategic vision, efficiency and effectiveness, capacity development, risk management and internal control, and transparency and accountability (IFAC and CIPFA, 2014). The researcher agrees with the statement that most Islamic social finance industry issues could be solved or at least reduced once the issue of governance is addressed.

2.3 GOOD GOVERNANCE FOR ISLAMIC SOCIAL FINANCE INDUSTRY IN KUWAIT AND GLOBALLY

This section presents an overview of governance and good governance in general and for the social finance industry in particular and in good governance practices for independent non-profit Islamic social finance institutions in Kuwait. In addition, this

section dives into the issues of good governance practices in the Islamic social finance industry.

2.3.1 The concept of Good Governance

According to Keping (2018), governance originally means control, guidance, and manipulation. However, in the 1990s, western economists and political scientists gave it a new comprehensive meaning. It began to be used in other major European languages beyond its political meaning, to also include social and economic definitions (Keping, 2018). The Commission on Global Governance, in its report entitled *Our Global Neighborhood* issued in 1995, defines governance as: “The sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.” In addition, governance is a process and not a set of rules, and such a process is not based on control, but on coordination, which includes both public and private sectors. According to Elahi (2009): “Governance is the exercise of economic, political and administrative authorities to manage a country’s affairs at all levels. It encompasses mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.” Governance has three dimensions namely economic, political, and administrative. The economic dimension concerns decision-making processes on economic activities and relationships with other economies. The political dimension concerns the process of policy making. Finally, the administrative dimension concerns the system of policy implementation.

According to Nag (2018), the idea of governance and good governance had emerged concurrently. Elahi (2009) described that while governance entails the management of a country’s economic, political, and administrative affairs, good governance entails the processes and structures that guide socio-economic and political relationships in general. The extent of good governance is guided by a set of 12 principles and characteristics as clarified by the Council of Europe for the purpose of

human rights. The Council of Europe is the continent's leading human rights organization, with 46 member states adopting its good governance principles namely:

- 1) Fair Conduct of Elections, Representation and Participation.
- 2) Responsiveness, i.e., the objectives, rules, structures, and procedures adapted to the legitimate expectations and needs of people, delivery of public services, and timely response to requests and complaints.
- 3) Efficiency and Effectiveness, i.e., related to performance management systems; evaluating and enhancing the efficiency and effectiveness of provided services.
- 4) Openness and Transparency, i.e., decisions taken and enforced in accordance with rules and regulations.
- 5) Rule of Law, i.e., local authorities abiding by law and judicial decisions.
- 6) Ethical Conduct, e.g., timely declaration of conflicts of interest, and withdrawal from decision-making.
- 7) Competence and Capacity, i.e., the retention and reinforcement of professional employees in charge of governance so as to improve output and impact; the creation of practical methods and procedures to transform skills into capacity and to produce better results.
- 8) Innovation and Openness to Change, i.e., addressing issues and problems using new and efficient solutions.
- 9) Sustainability and Long-term Orientation, i.e., the sustainability of the community.
- 10) Sound Financial Management, with the sub-principles of: i) charges do not exceed the cost of services provided and do not reduce demand excessively,

particularly in the case of important public services, ii) multi-annual budget plans are prepared, with consultation of the public, and iii) risks are properly estimated and managed, including by the publication of consolidated accounts and, in the case of public-private partnerships, by sharing the risks realistically.

11) Human Rights, Cultural Diversity, and Social Cohesion, i.e., respect, protection, and implementation of human rights, as well as the fight against discrimination.

12) Accountability, i.e., decision-makers taking responsibility for their decisions (Council of Europe, 2008).

These principles are set in general for the purpose of the public sector. However, they are considered a comprehensive guide for other sectors and institutions that intend to adapt good governance principles in accordance with their scope and mandate. These 12 principles are not necessarily to be fully adopted in other sectors or institutions; they can be reduced or constricted in a form that fits the nature of each sector or institution. For instance, in the context of this study, the Islamic social finance industry may only need to adopt certain principles of good governance.

2.3.2 Practices of Good Governance in Islamic Social Finance Industry

Traditionally, corporate governance principles are applied in large public companies with various shareholders to ensure the separation of ownership and management. Corporate governance, therefore, aims to bridge the information gap between ownership and management through accountability and disclosure mechanisms (IoD, 2009). However, the good governance has become necessary for all organizations in the public, private, and not-for-profit sectors as stated in the King III Code of Corporate Governance for Southern Africa: “The code applies to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private, or non-profit sectors. We have drafted the principles so that every entity can apply them and, in doing so, achieve good governance.” This is a good example of obligating all

institutions and organizations to apply good governance principles especially for not-for-profit organizations in developing countries, specifically the case study of The State of Kuwait.

The Ministry of Human Resources and Social Development (HRSD) of Saudi Arabia has obligated not-for-profit organizations to practice good governance standards in order to enhance their performance and to ensure that all their procedures and activities adhere to the set laws and regulations (HRSD, 2020). Such standards include: i) Compliance and Commitment Standard, i.e., to measure the extent of compliance and commitment of civil organizations with the laws, regulations, and guidelines that regulate their activities, ii) Transparency and Disclosure Standard, i.e., to measure the extent to which NGOs are willing to publish information about their reasons for existence, their implemented activities and financial statements, as well as operations to the stakeholders, and iii) Financial Integrity, i.e., to measure the performance of NGOs by evaluating their efficiency, ability, and financial sustainability (HRSD, 2020).

Generally, good governance is highly important for the social finance industry as well as Islamic social finance institutions for these reasons: i) the nature of seeking fund from external individuals and organizations, which increasingly requires better governance structures and accountability systems, ii) the need for the social finance industry to conduct partnerships with governmental entities and private organizations which require transparency and accountability, and iii) the nature of the social finance industry in supporting critical issues such as human rights in food security, education, and healthcare, as well as in providing development and public benefit projects which in return requires robust good governance standards and accountability mechanisms (Wanyama, 2014).

In the context of this study, from the regulation perspective, Islamic social finance tools may come under non-profit or non-governmental organizations (NGOs) that can practice *Sadaqat*, *Waqf*, *Zakat*, and microfinance tools collectively. Alternatively, Islamic social finance tools can be practiced in a solid Islamic social finance institution such as *Zakat* institution, *Waqf* institution, and microfinance

institution. Hence, the next section discusses the role of good governance at NGOs, *Zakat* and *Waqf* institutions separately.

2.3.2.1 Good Governance Practices in NGOs and Sadaqah Affiliated Institutions

According to the World Bank (2000), the worldwide pandemic had revealed the poor governance structures of certain NGOs. Governments, especially those in developing countries, condemned NGOs as unaccountable organizations with self-serving. In its report, the World Bank stipulated that NGOs should exercise good governance principles in their operations such as public participation, advocacy, rule of law, equity and inclusiveness, transparency, consensus-oriented responsiveness, accountability and effectiveness.

According to the handbook of NGO governance published by the European Center for Not-for-Profit Law (2004), good NGO governance has eight main principles (Wyatt, 2004) namely:

- 1) Being accountable to their communities, as stated in one guideline that “NGOs are committed to the highest level of accountability”. This principle ensures that as long as NGOs benefit directly or indirectly from the public sector, they should show a high level of accountability to their community or stakeholders. In many countries, especially in Central and Eastern Europe, NGOs receive little pressure from stakeholders to behave accountably. Nonetheless, NGOs must act accountably in order to gain the community’s trust (Wyatt.M, 2004). Accountability for NGOs means demonstrating regularly that they use their resources wisely and do not take advantage of their special privileges to pursue activities contrary to their non-profit status. An accountable NGO is transparent, readily opening its accounts and records to public scrutiny by funders, beneficiaries, and others.
- 2) Good governance is a basic form of accountability as stated by the guideline that “an accountable organization has a functioning system of internal governance”. This means that good governance in NGOs only becomes

effective when they have an internal system that can be checked to ensure that stakeholder interest is protected. Good governance for NGOs relies on the distinction between authorities' distribution (management and the governing body) and their decision-making power. This arrangement is key towards ensuring the best use of resources and protecting NGOs' stakeholder interest.

3) Good governance has a formal structure as represented by the five guidelines below:

- i) ***NGOs' basic documents formally establish their governance structure.*** The formal basic documents for NGOs are often represented in a country's legal code to form the governance structure depending on the nature of the organization. The governance structure is considered an initial step towards creating a stable framework for accountability in NGOs.
- ii) ***The board is the principal governing body.*** This principal governing body may entail the executive board or board of directors. Accordingly, it should be one governing body that takes the responsibility of oversight and decision-making authority.
- iii) ***The board makes decisions collectively.*** The board is considered a leadership body that focuses on the organization's mission. This is in the form of collective leadership that makes decisions formally in pre-determined meetings at which a majority of the members (known as a quorum) is present.
- iv) ***Individual board members have specific duties.*** In addition to the board member duties as a collective leadership body, each member has individual duties, which means that the board members are expected to attend meetings regularly, contribute actively to deliberations, and put the NGO's interests above any other personal interests.

- V) ***The board has a chair.*** The chair is mainly responsible for coordinating the work of the board and serving as the liaison with staff. The duties of the chair include leading meetings and appointing committee members. Taking into consideration that the chair does not have any special decision-making powers except if the board members are clearly delegated the chair.
- 4) Good governance involves the separation of governance and management. This principle is represented in the six guidelines below:
- i) ***The board is distinct from the staff.*** One of the basic objectives of implementing good governance is that governance and management must be separated.
 - ii) ***The board governs, and the staff manages.*** Such separation of governance and management means a division of both duties and personnel. The common rule is that the management operates the daily organization, while the board sets policies and exercises oversight, as well as strategically guides the organization.
 - iii) ***The board delegates responsibility to the chief executive.*** Practically, the board sometimes delegates its duties to the chief executive; however, the board is not allowed to delegate its own responsibility such as setting policy, providing strategic direction, and exercising oversight.
 - iv) ***The board and chief executive work in partnership.*** The most important relationship in NGOs is the one between the chief executive and the board chair. It supports the organizational leadership in different aspects of NGOs. This appears when the chief executive gives the board accurate and timely information about the NGO and its environment. Likewise, the board must support the chief executive significantly, but also monitor the chief executive for the benefit of the NGO.

- V) ***The board evaluates the chief executive regularly.*** This entails updates about the chief executive's performance, which should be done yearly. It is important for the board to make such evaluation as a body.
- vi) ***The board plans for chief executive succession.***
- 5) NGOs are mission-based organizations. This principle is represented in the three main guidelines below:
- i) ***The board safeguards the mission of the organization.*** One of the main responsibilities of the board is to identify, articulate, safeguard, and promote the NGO's mission.
 - ii) ***The board supports the mission through effective planning.*** This is to enhance the practice of accountability. Most importantly, the board should be involved collectively in planning, which generally aims to set objectives, and articulating a strategy to achieve them.
 - iii) ***The board supports the mission through regular evaluation.***
- 6) NGOs promote the highest professional and ethical standards. This principle is represented in the five guidelines below:
- i) ***The board articulates the professional and ethical standards of the organization.*** This leads to the writing of a code of conduct to express the values of the NGO. Such code commits an organization to set standards of behavior and stake its reputation on them.
 - ii) ***Board members are not paid for their service.*** While payment is common in the corporate sector, it is considered inappropriate in the non-profit sector. This ensures that the board members serve on a volunteer basis without any personal gain.

- iii) ***The board establishes a conflict-of-interest policy.*** A conflict-of-interest policy mainly provides guidance for dealing with embarrassing or unjust situations and helps protect the NGO's reputation. Such guidance requires full disclosure of potential or actual conflicts and abstention from deliberations and decisions in which an individual has a personal stake.
 - iv) ***The board sets the standard for professional conduct.*** This entails the setting of rules for an NGOs' operations, which represents its level of professionalism as a whole.
 - v) ***The board looks after its own development.***
- 7) NGOs exercise responsible resource management and mobilization. This principle is represented by the three basic guidelines below:
- i) ***The board oversees the financial affairs of the organization.*** One of the board's basic duties is to make sure that the organization has enough resources to achieve its mission. In the event of incomplete financial information or financial statements that are not easy to understand, the board has the right to request for more clarification of the financial affairs.
 - ii) ***The board establishes internal controls.*** Internal control in all aspects guards an NGO's assets by managing the funds properly and preventing fraud. It also promotes both integrity and efficiency as well as reassures all stakeholders that the NGO's resources are managed wisely and effectively.
 - iii) ***The board takes part in resource development.*** Such a duty is a natural consequence of the board's responsibility to make sure that an NGO has sufficient and sustainable resources. The board can widen the organization's circle of relationship to incorporate new potential sources of funds. The board members' participation in resource

development implies that the board is enthusiastic and engaged effectively to build a high level of confidence that the NGO is run successfully, accountably, and less likely to use wrongly donated resources.

8) NGOs are responsive to the communities they serve. This principle is represented in the four main guidelines below:

- i) ***The board integrates organizational interests and community interests.*** The effective board of an NGO serves as the moderator between the inside of an NGO and the surrounding community. The board ensures that the NGO is responsive to the community around it. The board must regularly test its mission achievement by answering important questions that touch on the very reasons for the organization's existence: Is our mission important? Do we accomplish a real need? Does the surrounding community understand what we are achieving, and why? This is to keep the NGO in the correct manner constantly.
- ii) ***The board encourages transparent communications.*** This refers to the NGO's accountability to the public which takes various forms. To the government, it is obligated to provide financial statements or periodic registration. To donors, it is obligated to present reports about the use of funds and valuation of program impact. To beneficiaries, it must give descriptions of services and the way it meets a community need. In other words, the NGO must show its internal work truthfully and accurately. This does not mean that the NGO must present itself as a perfect organization.
- iii) ***The board oversees the publication of an annual report.*** Annual reports present audited financial reports and statements and the most accurate financial data. The annual report is also a suitable instrument for publicizing information about an NGO's activities and programs. It is one of the ways for the NGO to show its transparency procedures.

- iv) *The board serves as a link to the organization's constituencies.* The board is responsible for the NGO's relation to its community. For example, the board members can take news of the NGO to the broader public, serving as representatives of the NGO to diverse audiences, business associates, community groups, and public officials.

In short, practicing good governance principles can significantly enhance the capacity of organizations and the NGO sector to fulfill the needs of less fortunate societies. Hence, exercising good NGO governance can help in changing peoples' lives and reducing problems related to human rights, poverty alleviation, unemployment, and many others. In other words, it enhances the stakeholders' interest protection.

2.3.2.2 Good Governance Practices in Zakat Affiliated Institutions

The practice of governance in Zakat institutions is mainly related to the institutional structures and mechanisms to maintain the appropriate and transparent management of zakat collection and zakat distribution (Abd Wahab & Abdul Rahman, 2011). This is to ensure that all parties can have adequate access to all information in order to raise the level of accountability therefore enhancing the Zakat Institution's performance. Some studies investigated the relationship between governance and the performance and efficiency of zakat institutions (Fadilah, 2013; Mubtadi & Susilowati, 2018). Some others discussed the relationship between governance and zakat payers' trust (Abioye, 2013; Ghani, 2018). All these studies concluded that there is a need to implement good governance in order to maximize the performance of zakat institutions and enhance trust among the stakeholders. Another study on zakat institutions in Padang, Indonesia confirmed the urgent need for improving good governance practices in zakat institutions to better achieve socio-economic justice (Wahyuni-td, 2014). In terms of the relationship between good governance and fraud prevention, a study found that good governance and fraud prevention have a significant impact on the performance of zakat institutions. However, the same study also found that the fairness principle of good governance has an insignificant impact on zakat institution performance (Wahyuni-td, Haron, Fernando, 2020).

2.3.2.3 Good Governance Practices in Waqf Affiliated Institutions

One of the main reasons to practice good governance for waqf institutions is that the *Waqf* sector has become similar to the government sector in terms of the bureaucracy system (Alhassan, 2011). Generally, people who work in a bureaucracy system tend to be very concerned about details and often disregard timely task completion (Blau, 1961). For example, the *Waqf* sector suffers from the complexity and instability of the regulation system and the absence of institutional administrative measurement and evaluation standards. There is also the prevalence of nepotism and the complexity of procedures (ARADO, 2005). Therefore, *Waqf* institutions are in need of governance standards that are generally compatible with *Awqaf* purposes and laws. Good governance standards also protect the related parties' interests in *Waqf* institutions (Alsawahat, 2018). According to Farhan (2020), the governance principles for *Waqf* institutions can be grouped into five main principles namely: ensuring the basis for an effective governance framework, protecting the rights of the beneficiaries and *Waqf* owner, identifying the powers and responsibilities of the board of directors or the governing body, providing the disclosure and transparency requirements of the financial and administrative performance, and identifying the roles and rights of the stakeholders. These five principles aim to achieve *Waqf* sustainability and develop its assets as well as safeguard stakeholder interests, which are similar to the objectives of corporate governance. However, the application of governance principles for *Waqf* institutions is slightly different because the nature of the related parties is comparatively different.

According to Momni and Qwasi (2018), the governance standards for *Waqf* institutions are divided into three main aspects namely *Shari'ah* governance standards for *Waqf* institutions, financial and accounting governance standards for *Waqf* institutions, and waqf investment governance standards for *Waqf* institutions. Firstly, the *Shari'ah* governance standards were extracted from *Fiqhi* rules related to *Waqf*, and such rules are considered as governance standards for *Waqf*. These standards are represented by four principles: i) Free will for the *Waqif*, i.e., based on the conditions provided by the *Waqif* which are mandatory to be considered. ii) Independency, i.e., *Waqf* must be independent, which means that the government has no control over it, iii) Considered Interest, i.e., every condition related to *Waqf* must be recognized from

Shari'ah perspective, and iv) Legal Personality, i.e., the *Waqf* institution is independent from the *waqif's* situation. Secondly, financial and accounting governance standards for *Waqf* institutions are divided into different aspects related to the financial and accounting system in terms of standardization of accounting treatments, as well as the method of budgeting for *Waqf* institutions. Thirdly, standards related to *Waqf* investments are represented in the rules for financing and developing *Waqf* institutions and *Shari'ah* rules for *Waqf* investment governance.

In light of the above, the practice of good governance for Islamic social finance institutions and NGOs is generally the same as those for the public and private sectors. An organization is said to exercise good governance when it has put in place transparent internal systems of checks and balances which ensure that the public interest is served. Good governance is therefore based on the clear distinction between the management of the organization and the governing body (the Board). It also entails having clear and transparent processes for the distribution of decision-making powers. The governance structures provide checks and balances, ensuring that the Islamic social finance institutions' resources are well managed, safeguarding their public-service orientation. However, the practice of good governance at social finance institutions faces several issues that need to be addressed in order to better protect stakeholder interest, and to determine how the use of FinTech can enhance the practice of good governance at social finance institutions.

2.3.3 Good Governance practices in Independent Non-Profit Islamic Social Finance Institutions in Kuwait

Independent non-profit Islamic social finance institutions in Kuwait are governed and regulated by Law No. 24 of 1962, as amended, and supervised by the Ministry of Social Affairs which requires some practices of good governance including bylaw, legal status and mandates as well as licensing for international operations and fundraising (MOSA, 2025). In addition, the Ministry imposes all independent non-profit Islamic social finance institutions in Kuwait to submit regularly their audited financial reports. Along with a periodic report of compliance with anti-money laundering (AML) and counter-terrorism financing (CTF) laws (MOSA, 2021).

Recently, on August 3, 2025, The Kuwait Ministry of Social Affairs released a regulatory framework No. 183 for the year of 2025 to improve the institutional performance of transparency and good governance of independent non-profit Islamic social finance institutions including i) Digital Donation, a) donation links must be published on the institution's website only. b) obtaining prior approval for donation links for each individual case. c) administration expenses must be clearly stated in all project advertisements. ii) Marketing and Promotion, a) obtaining prior approval from the Ministry for partnerships with marketing firms, influencers, or Imam b) any marketing contract must be submitted to the Ministry in advance, describing project scope, terms and conditions (as per Circular No. 274). iii) Data & Financial Transparency, a) Data related to donation must be entered into the Ministry's automated management system by the next business day b) all types of donations must be deposited into the official bank accounts, with a periodic daily reporting. iv) Compliance Monitoring, a) The related institutions will be categorized as fully compliant, partially compliant, or non-compliant to the governance requirements within one month of the circular, b) non-compliant institutions will be prohibited from collecting donations and will be accountable. v) International Donation Campaigns require a specific timeframe, declaration of administration expenses, identification of licensed foreign partners and all materials of aid must be processed through the central aid program for efficiency. vi) Financial Oversight, a) appointing approved auditors from the Kuwaiti Capital Markets Authority, b) appointing a compliance officer and internal auditor, c) Submitting annual audited financial reports with full financial disclosures (per Circular No. 194). All these requirements strengthen the application of good governance and ensure the implementation of robust charitable activities and projects both locally and internationally (MOSA, 2025).

Many independent non-profit Islamic social finance institutions in Kuwait adopted good governance practices including *Shari'ah* governance practices. For instance, Direct Aid Society (DAS), the case study of the current research applies institutional good governance including Board of Director governance where the board's roles are separated from the executive management, board members are required to declare their conflict of interest, approve major financial decisions and ensure compliance with the regulations and bylaws (Direct Aid, 2025). In addition, the good governance manual of Direct Aid Society includes general assembly governance, executive management governance, financial and administrative governance, supervisory and internal audit governance, risk management and other policies and procedures of good governance practices (Direct Aid, 2025).

Direct Aid Society also applies *Shari'ah* supervisory governance including the establishment of *Shari'ah* Supervisory committee where it works Independently and consists of well-known *Shari'ah* scholars, as well as internal *Shariah* auditors which report periodically to the *Shari'ah* committee to ensures that the operations and activities are *Shari'ah* compliant. Moreover, DAS appointed external *Shari'ah* audit that licensed by the Kuwaiti Capital Markets Authority (Direct Aid, 2025).

2.3.4 Issues in Good Governance for Social Finance Industry

Generally, organizations such as companies, NGOs, and associations face governance challenges. Nevertheless, social finance organizations have unique governance issues related to their organizational set up. Among these issues is the lack of transparency and accountability. Such issues arise from raising funds to undertake projects where the beneficiaries are not the fund providers. Besides that, the beneficiaries are not capable of demanding for accountability. Generally, both the beneficiaries and fund providers are not part of the organizational structure; therefore, it is not easy for them to access information and check the organizations' operations. Most of the fund providers do not meet and interact with the beneficiaries except if the funders request to visit the beneficiaries and check on them (Simeon, 2014). According to the World Bank (2005), the issue of weak governance in non-for-profit organizations is driven by three main factors: (i) perceived weaknesses in the regulatory framework and in financial accountability, (ii) the influence, scope, and cost-effectiveness of non-for-profit organizations' projects and activities, and (iii) the implications of changes in NGO funding that led to the attainment of funds through commercial projects and micro-finance returns. All these issues arise from the lack of good governance adoption and overseeing of non-for-profit organizations including Islamic social finance institutions (World Bank, 2005).

The practice of good governance in NGOs is linked to high levels of organizational complexity (Bloodgood et al., 2014). This occurs from the practical side, with the remarkable increase in NGO operations which results in the inability of the founders to manage the organization's activities and operations (Moore & Stewart, 1998). The creation of governance mechanisms denotes the interests of some

individuals and bodies, confirming that the decisions of managers are suitably associated with the interests of such individuals and bodies (Coule, 2015; Morck & Steier, 2005).

In short, most of the issues related to the practice of good governance for NGOs including Islamic social finance institutions resulted from the lack of compliance, trust, accountability, and transparency, which would affect stakeholder protection. However, the use of FinTech tools has significant potential in facilitating the achievement of good governance objectives (Sachdeva, 2002). When information technology activities – including that of FinTech – are appropriately aligned with governance objectives, they can help enhance effectiveness and efficiency (Kalsi & Kiran, 2015). In other words, they enhance the level of transparency and trust in the application of good governance in general (Kalsi & Kiran, 2015).

2.4 THE EMERGENCE OF FINTECH IN THE APPLICATION OF GOOD GOVERNANCE IN THE ISLAMIC SOCIAL FINANCE INSTITUTIONS

2.4.1 Practice of FinTech

The FinTech market is witnessing a remarkable increase in terms of investment activity and the number of deals. According to KPMG (2022), the total global investment activity in FinTech reached \$210 billion in 2021 with 5,684 deals compared to the previous year (2020) which recorded only \$214.9 billion with 3,764 deals. FinTech commonly represents the engagement of information technology with financial services (Zavolokina et al., 2017). It basically describes new technologies adopted by institutions that provide financial services (Gai et al., 2018). As seen nowadays, the innovations of FinTech have disrupted traditional financial markets (Lee & Shin, 2018; Chanson et al., 2018). Magnuson (2018) asserts that FinTech has brought essential changes in banking activities, thus raising capital even to the form of money itself. According to Loo (2018), if FinTech is allowed to compete freely, it would enhance consumer welfare and reduce the probability of a financial crisis. Gomber et al. (2018) suggests that FinTech revolution will change financial services operations considerably by improving efficiency, transparency, and customer centricity in the financial services sector. According to Gozman et al. (2018), the FinTech ecosystem comprises innovations in

business infrastructure and core services to create an added value by redirecting and redesigning the flow of financial services among the main stakeholders of the financial market.

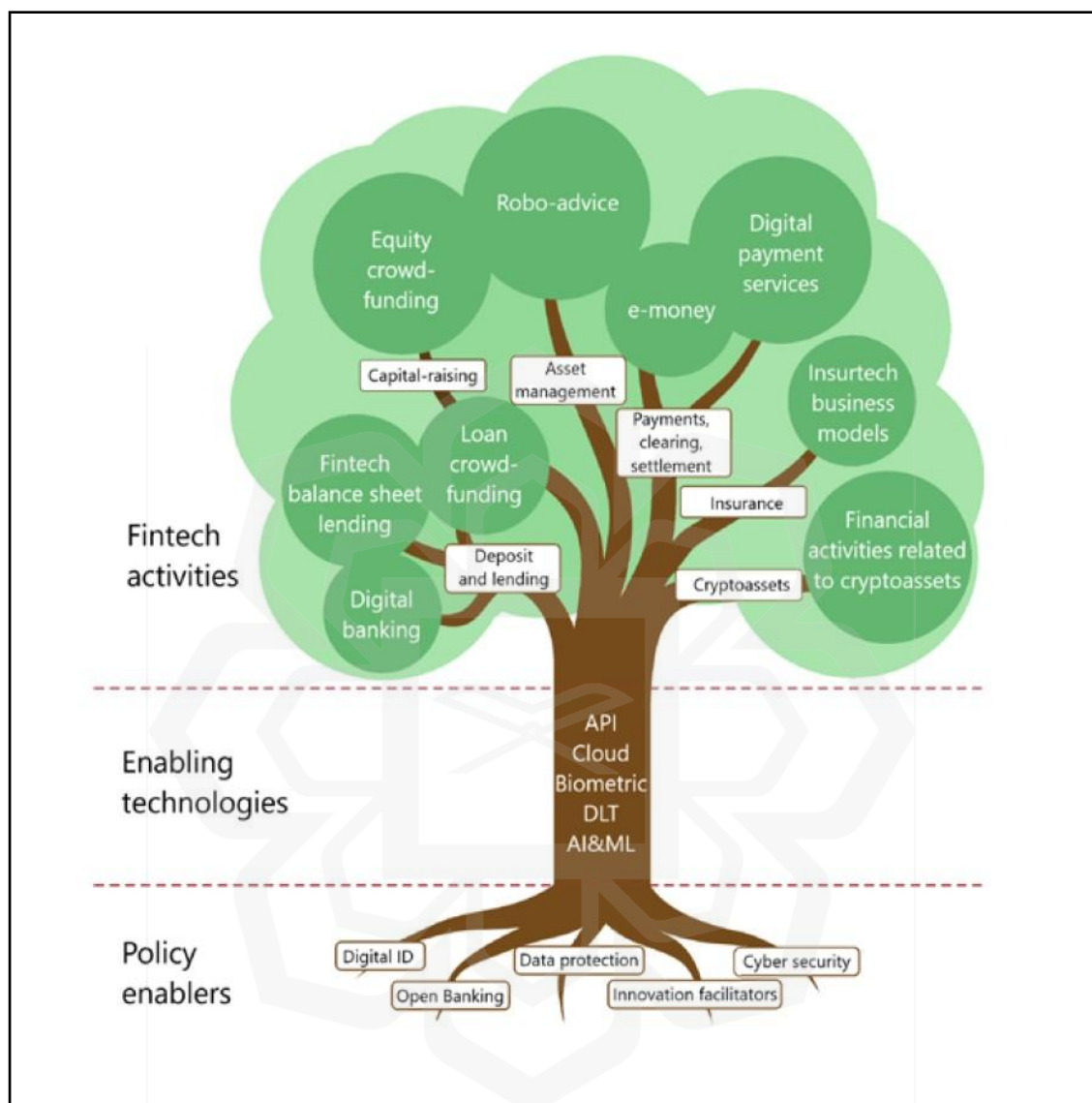


Figure 2.2 FinTech Tree

Source: Adopted from (FSI, 2020), [Policy responses to fintech: a cross-country overview \(bis.org\)](https://www.bis.org/pubs/otherpublications/20200301/policy_responses_to_fintech_a_cross-country_overview_bis.org)

FSI (2020) distinguished the FinTech environment into three main categories namely FinTech activities, enabling technologies, and policy enablers as shown in Figure 2.2. FinTech activities can take different forms depending on the sector such as insurance, capital raising, payments, and others. Many FinTech activities hence come under the sector or category of financial services. Next, enabling technologies make

innovation possible in the financial industry. In other words, it acts as the backbone of FinTech activities, such as artificial intelligence (AI), application programming interfaces (API), machine learning (ML), cloud computing (CC), biometric-based identification and authentication, and distributed ledger technology (DLT). Lastly, policy enablers form the roots of the tree, referring to public policy initiatives that support the development of FinTech activities such as open banking, data protection, cybersecurity, and digital identification.

Since the global financial crisis in 2008, financial services and technology have quickly congregated. Financial innovations such as FinTech have had a huge impact on financial businesses, financial institutions, and financial markets worldwide (Liu et al., 2020). However, the practice of FinTech requires regulations to avoid risks that would threaten the stability of the monetary system (Jagtiani & John, 2018; Kharisma, 2020; Magnuson, 2018). FinTech regulations strengthen consumer protection and speed up the growth of the digital economy (Arner et al., 2017, 2018; Rosenblum et al., 2015; Saksonova & Kuzmina-Merlino, 2017).

In short, the use of FinTech tools can enhance customers' experiences by increasing the level of transparency, as well as cutting costs and eliminating the need for middlemen (Lee & Shin, 2018; Zavolokina et al., 2016). In terms of its advantages, FinTech helps create financial mechanisms that allow customers to access a wide range of advanced financial services such as crowdfunding, payment technology, wealth management, and block chain technology (Demertzis et al., 2018; Imerman & Fabozzi, 2020). The world's Islamic FinTech framework has main five areas namely social finance, insurance, wealth management, deposits and lending, and finance (Standard, 2021). This study focuses on the FinTech tools of crowdfunding and digital payment which the case study mainly relies on. The following section discusses the use of FinTech in the social finance industry.

2.4.2 The Use of FinTech in the Islamic Social Finance Institutions

FinTech has promptly disrupted and transformed the global financial system by designing new business models, investment opportunities, and revenue streams (Chen et al., 2019; Direct Aid Society, 2019; Liu et al., 2020). It is also used broadly in the

social finance industry including by NGOs, *waqf*, *Zakat*, and microfinance institutions to raise money for various causes (Sahri et al., 2021).

In the context of this study, the role of FinTech is discussed in relation to Islamic social finance institutions including NGOs which may employ Islamic social finance tools such as *Sadaqat*, *Waqf*, and *Zakat*. FinTech tools employed in Islamic social finance institutions including *Waqf* and *Zakat* institutions are called charity tools, which are the most used tools by the case study, Direct Aid Society.

2.4.2.1 FinTech Practices in NGOs and Sadaqah Affiliated Institutions

Generally, the use of internet technology can be enormously useful in terms of growing donations, efficiency, and productivity, on top of being simple, more secure, and time saving (Treiblmaier & Pollach, 2006; Li & Yu, 2020; Wong & Jusoff, 2011; Shier & Handy, 2012). The two focal aspects of NGOs are funds and donors whereby the donors are usually more concerned about where their funds are being channeled and the extent of its impact, which boils down to the level of transparency and accountability. In this regard, FinTech tools address the issue of transparency through FinTech platforms for managing fundraising by providing a better donor experience. Donors can easily choose the beneficiary, purpose of donations, and percentage of the allocated funds among beneficiaries. The FinTech platform can also provide feedback channels to update donors about their donations. Consequently, this would increase the interaction between the donors and the beneficiaries as well as enhance the level of trust and transparency between NGOs and their stakeholders (Shruthi & Kumar, 2020). In sum, the main factors that attract donors to donate via FinTech tools such as crowdfunding platforms are transparency, traceability, accessibility, security, and the fast process of donation (World Bank, 2013).

In the context of this research, the use of donation-based crowdfunding in particular has created value and has been applied actively by individuals and NGOs to raise funds for various humanitarian causes and charitable projects (Behl & Dutta, 2020; Choy & Schlagwein, 2016). Various social networking sites have been used to promote and increase online fundraising projects and funding solutions (Sura et al., 2017; Li & Yu, 2020). However, the success of donation-based crowdfunding platforms depends

on the uncertain nature of the fund flow (Bukhari et al., 2019). Chen et al. (2019a, b) proved that the success rate of a donation-based crowdfunding platform is much lower than other crowdfunding models such as reward-based, equity-based, and debt-based crowdfunding as these offer tangible benefits in return. Behl and Dutta (2019b) proposed the use of donation-based crowdfunding platforms to attract donations for corporate social responsibility (CSR) initiatives to achieve economic and social sustainability.

In short, when donors are familiar with internet technology features such as those of FinTech, the online donation process would become even more effective and much easier. Donors who have been convinced to donate through digital technology are more likely to develop a positive attitude towards online fundraising that support urgent humanitarian causes (Bin-Nashwan et al., 2022).

2.4.2.2 FinTech Practices in Zakat Affiliated Institutions

Zakat is a certain right for the poor in the wealth of the rich. It is also an obligatory transfer of wealth from high-income people (*muzakki*) to the poor and needy (*mustahiq*) (Al-Qaradhawi, 2000). Zakat can potentially yield huge sums in collection, reaching US\$200 billion annually (IDB, 2014). Generally, zakat institutions play a significant role in poverty alleviation and income inequality eradication in Muslim societies (Salih, 1999; Choudhury & Mariyanti 2016 as cited in Choudhury, 2016; Shirazi 2019). Hudaefi et al. (2019) believe that the application of digital zakat is an essential step towards enhancing the collection of *zakat*. Rachman and Salam (2018) proposed for *zakat* stakeholders to develop FinTech-based strategies to advance the performance of *zakat* institutions and the marketing of *zakat* products using internet technology and mobile applications.

Commonly, the *muzzaki* is less informed than the *Zakat* institution, resulting in an agency problem which in turn leads to concerns about productivity and efficacy (Zainuldin et al., 2018). According to Al Azizah and Choirin (2019), the more FinTech is used, the faster the development of institutions. In this regard, the use of FinTech in *zakat* institutions eases *zakat* payments, thus increasing *zakat* collection. The adoption of FinTech tools can also enhance transparency, efficiency, and accountability (Mulyadi

et al., 2018). A study on the National Board of Zakat of the Republic of Indonesia (BAZNAS) presents an in-depth discussion of the extent to which *zakat* institutions have benefited from the usage of four practical technology tools. These include the creation of an online platform to improve *zakat* collection, the development of a user-friendly mobile-based application, collaborations with FinTech firms for better payment services, and the issuance of quick respond (QR) codes to speed up the donation process (Hudaefi et al., 2019). These FinTech tools are also aimed at building greater trust and increasing the level of transparency for stakeholders.

2.4.2.3 FinTech Practices in Waqf Affiliated Institutions

Waqf is an Islamic social finance tool with certain characteristics where the donor (*waqif*) voluntarily donates any asset for permanent general benefit and where the *waqf* asset is maintained from diminishing (Shaikh et al., 2017). One form of *waqf* is cash *waqf*, which is a charitable endowment established with cash capital (Cizakca, 1998). It helps in developing economies especially in terms of poverty alleviation (Berakon et al., 2021; Sanusi & Shafiai, 2015; Abbas, 2014; Saiti et al., 2018). Cash *waqf* significantly facilitates public welfare and capital provision to support entrepreneurs (Thaker, 2018) on top of addressing budget deficits and social inequality (Berakon et al., 2021). In 2004, a fatwa on cash *waqf* was issued by the World Fiqh Council (*Majma' AlFiqh Alislami*) namely fatwa number 140.

One study proposed crowdfunding based on cash *waqf* for small and medium enterprises to maintain their sustainability (Hasan & Ahmad, 2020). Aminu et al. (2018) found that the use of FinTech would improve the performance of cash *waqf* collection. *Waqf* is considered as a form of investment, as asserted by Masyita et al. (2011) that the adoption of internet technology helps in enhancing the performance of businesses and investments. On top of that, it would make cash *waqf* simpler and more secure for users, apart from increasing the confidence of crowdfunders (Masrizal et al., 2022). The use of crowdfunding platforms and blockchain in the *waqf* sector has also been proven to increase transparency and mitigate the financial issues faced by *waqf* institutions (Azganin, 2019).

In short, the application of FinTech in Islamic social finance institutions and NGOs helps in improving fundraising transactions, the trust in these institutions, stakeholder protection, as well as transparency and accountability. However, there are also certain weaknesses in the practice of good governance in these institutions due to their organizational set up, which in some cases would lead to poor transparency and accountability (Simeon, 2014). Common issues are when the beneficiaries are not the fund providers, the beneficiaries are not capable of demanding accountability, and both the beneficiaries and fund providers are not part of the organizational structure thus making it difficult for them to access information and check the organizations' operations. Additionally, the fund providers typically do not meet and interact with the beneficiaries except if the funders request to visit the beneficiaries and check on them (Simeon, 2014).

2.4.3 The Use of Fintech in the Application of Good Governance

In the last two decades, many developed countries have adopted measures to improve the application of corporate governance (Clarke, 2009). However, there are fundamental issues with the implementation of corporate governance such as conflicts of interest, accountability issues, oversight issues, ethics violations, poor data protection, low transparency, and the board's approach to corporate social responsibility (Kalpana, 2018). These issues indicate that the main problems in practicing governance are not just related to implementation, but also to prototypes, prevailing tactics, and corporate governance procedures (Yermack, 2017). The emergence of FinTech has offered many solutions and enhancements for the betterment of corporate governance adoption.

Several studies define FinTech as part of information technology (IT) with the aim to increase the efficiency of the financial services sector (Kim et al., 2016; Lee & Kim, 2015; Ryu, 2018; Shim & Shin, 2016). Sachdeva (2002) confirmed that information and communication technologies (ICTs) have a significant potential to aid the achievement of good governance objectives. When IT activities are appropriately aligned with governance objectives, they can help enhance effectiveness and efficiency. In other words, they enhance the level of transparency and trust in the application of good governance (Kalsi & Kiran, 2015). The mirroring effect explains that technological innovations reflect the governance structures and processes of a firm

(Langlois, 2002; Frenken & Mendritzky, 2012; Sanchez & Mahoney, 2013; Colfer & Baldwin, 2016). Kalsi and Kiran (2015) determined five factors of an effective good governance structure via the usage of IT namely: i) political will, public support, and technical feasibility, ii) economic feasibility, computer literacy, and infrastructural support, iii) process simplification, service availability, and public acceptability, iv) benefits to stakeholders, and v) marketing and public awareness.

FinTech tools such as blockchain completely affects the balance of power among managers, directors, and shareholders, thus resulting in improved corporate governance implementation (Bradley, 2017). Cygnetise (2018) discussed blockchain as a tool for corporate governance and concluded that: i) blockchain technology increases efficiency by removing administrative encumbrance, ii) technology alleviates the risk of fraud by offering an immutable audit trail, and iii) blockchain results in greater transparency of ownership. According to Singh et al. (2020), all the characteristics of corporate governance can be enhanced by the application of blockchain namely by: i) enhancing efficiencies by withdrawing administrative burden, ii) providing better transparency of ownership, iii) reducing the risk of fraud by offering an audit trail, and iv) ensuring accurate proxy voting (Singh et al., 2020). The findings of this study are similar to that of others which propose that blockchain can enhance the practice of corporate governance (Tapscott & Tapscott, 2016; Cygnetise, 2018; Haque, 2018; Fink Bradley, 2017; Van der Elst & Lafarre, 2017; Yermack, 2016). Moreover, the adoption of blockchain increases trust among stakeholders which in turn enhances the application of good governance (Yermack, 2017). Blockchain also balances the interest of stakeholders including that of fund providers, suppliers, society, customers, and management.

Managers should ensure that the board of directors has access to updated information. In this regard, blockchain benefits corporate governance by ensuring conflict-free and transparent transactions involving real estate, shares, and money (Singh et al., 2020). This is generally the role of FinTech in enhancing good governance practices. In the following section, the gaps in literature are identified, which is an attempt to explore the impact of using FinTech tools on the practice of good governance in the Islamic social finance industry.

2.5 THE USE OF FINTECH AND GOOD GOVERNANCE AT THE SELECTED CASE STUDY - DIRECT AID SOCIETY- IN KUWAIT

2.5.1 Direct Aid Society- in the State of Kuwait

Direct Aid Society is a non-governmental organization established in 1981 with the aim of raising the level of empowerment in African societies, with a focus on knowledge-based development. The focus on sustainability in all its projects makes Direct Aid Society a unique and valuable contributor to the betterment of communities in Africa. This is achieved through the provision of education, healthcare, relief, orphan care, and public benefit projects such as the supply of clean drinking water and the construction of mosques. All these are in addition to providing *Da'wah* (awareness) and various development projects to support the needy and improve their lives on top of fostering positive change in Africa (Direct Aid Society, 2022). In chapter four of the current study, the researcher discusses the projects and activities of Direct Aid Society in detail.

2.5.2 Overview of Good Governance application at Direct Aid Society in Kuwait

Direct Aid Society officially applied good governance standards in 2020 (Direct Aid, 2020). It is the first Islamic social finance institution that applied the good governance standards without any commitment from the official relevant authorities in The State of Kuwait. Direct Aid Society adopts three main standards, i.e., the compliance and commitment standard, the financial stability standard, and the transparency, disclosure, and accountability standard (Direct Aid, 2020). Consequently, in 2021, Direct Aid Society was recognized with a 3-star excellence rating by the European Foundation for Quality Management (Direct Aid, 2021). This is the only classification of its kind in The State of Kuwait in terms of performance and quality excellence. This helped the institution to improve its performance and leaders, which in turn improved its good governance and FinTech applications. For over three decades, the European Foundation for Quality Management model has garnered the trust of numerous global organizations, earning its reputation as a reliable tool for managing change and enhancing performance (Direct Aid, 2021). Throughout its extensive history, the model has demonstrated its proficiency in supporting organizations across the globe. Leveraging on its world-leading methodologies, model, and technology, it has successfully facilitated the

improvement of performance for over 50,000 organizations, all of which have benefitted from the incorporation of best practices (Direct Aid, 2021). Consequently, the combination of FinTech application and the best use of good governance by the selected case study helps the current study in concluding better outputs for the Islamic social finance industry and the researcher in exploring the role of FinTech tools in the adoption of good governance at Islamic social finance institutions.

Direct Aid Society has a core advantage which was earned by its founder, Dr. Abdelrahman Al-Sumait, when he chose to stay for long periods in each targeted African country, i.e., from 1981 to 2013 to establish a fully affiliated office responsible for the implementation of Direct Aid projects and performance follow up (Abdulaziz, 2016; Huda, 2020). As such, Direct Aid Society does not depend on any intermediary local agent to implement its charitable and development projects. This increased the level of trust among donors, especially non-for-profit organizations. Indirectly, the number of Direct Aid employees also increased to more than 9,000 (Direct Aid, 2023). This motivates the institution to practice good governance standards in an accurate manner so as to improve its performance and elevate the level of transparency and disclosure for the betterment of stakeholder protection.

According to the official website of Direct Aid (2023), it had attained second place in the Forbes Middle East Award for Most Transparent Association in 2011. This accolade is awarded based on specific factors, i.e., that the NGO must be authenticated and endorsed by the official authorities in its country, and that it must provide its audited annual financial reports (Huda, 2020). Direct Aid Society has an advantage in this sense as it had undergone external and internal financial audit, Shari'ah audit, and external legal audit (Huda, 2020). In chapter four of the current study, the researcher discusses the application of good governance at Direct Aid Society in detail.

2.5.3 Overview of FinTech Applying at Direct Aid Society in Kuwait

In terms of its usage of FinTech, Direct Aid Society won first place for The State of Kuwait Best Website Award in 2012 (Direct Aid, 2023). Subsequently, the institution elevated its FinTech usage by establishing a robust crowdfunding system, an e-wallet, mobile apps for android and Apple systems, as well as an auto-donation function. This

solidifies its status as the institution with the best user-friendly FinTech tools in The State of Kuwait, whereby only 5 seconds are needed to complete the donation process on its website. Its advanced FinTech tools also allow stakeholders – especially donors – to access reports or to track their donations in an easier and faster manner. All these had increased the institution's level of transparency, accountability, and disclosure as well as the trust of its stakeholders. In chapter four of the current study, the researcher discusses the application of FinTech at Direct Aid Society in detail.

2.6 THE GAPS OF KNOWLEDGE: FINTECH-GOOD GOVERNANCE IN ISLAMIC SOCIAL FINANCE INSTITUTIONS

Although many studies have discussed the role of FinTech and good governance in the Islamic social finance industry, there is still ample room to identify more issues and challenges facing the application of good governance in this industry. Based on the literature review, many studies have elaborated the potential of IT in positively contributing to good governance practices in general, but very few had discussed the role of FinTech in the same context. Most of the studies focused on the role of blockchain in enhancing the practice of good governance (Tapscott and Tapscott, 2016; Yermack, 2016; Bradley, 2017; Van der Elst and Lafarre, 2017; Yermack, 2017; Cygnetise, 2018; Haque, 2018; Singh et al., 2020).

Meanwhile, this current research discusses the FinTech tools of crowdfunding and digital payment which had been used in the case study. To the best of the researcher's knowledge, no study had attempted to explore the impact of FinTech tools on the practice of good governance in the Islamic social finance industry. This study examines the single case study of Direct Aid Society, i.e., a prominent Islamic social finance institution in The State of Kuwait and the GCC area which applies good governance standards and different FinTech tools.

2.7 REVIEW OF PAST LITERATURES

Although numerous literatures on good governance and FinTech are available online and in libraries, very few studies had been published regarding the impact of FinTech tools on the practice of good governance in general and in Islamic social finance institutions. Hence, this study attempts to answer several questions related to the usage

of FinTech and good governance in Islamic social finance institutions such as: What evidence is available regarding the importance of practicing good governance and using FinTech in Islamic social finance institutions? What are the challenges in practicing good governance in Islamic social finance institutions? How does the use of FinTech tools impact the practice of good governance in Islamic social finance institutions? In this section, the researcher summarizes the related studies on the usage of FinTech tools and the practice of good governance in Islamic social finance institutions as shown in Table 2.2.



Table 2.2 Review of Past Literatures

Research Topic	Authors and Publishers	Research Objectives	Research Method and Design	Research Findings, Conclusions, and Recommendations
Blockchain Technology in Corporate Governance: Disrupting Chain Reaction or Not?	<ul style="list-style-type: none"> - Singh, Jain, Munjal, and Rakesh (2020) - Emerald Publishing Limited, ISSN 1472-0701 	<p>To establish stakeholders' acceptance of blockchain.</p> <p>To investigate the Technology Acceptance Model with special reference to corporate governance through cryptography to resolve the decades-old problem of financial record-keeping.</p>	Quantitative Survey	<p>Implementation of blockchain technology helps in the removal of almost all intermediaries, resulting in enhanced opportunity for better corporate governance application.</p> <p>The study found that the practice of corporate governance can virtually be enhanced using blockchain such as by:</p> <ul style="list-style-type: none"> - Enhancing efficiencies by eliminating administrative burden. - Providing better transparency of ownership. - Mitigating the risk of fraud for organizations by providing an absolute audit trail. - Protected and accurate proxy voting.
A Strategic Framework for Good	<ul style="list-style-type: none"> - Kalsi and Ravi Kiran (2015) - Emerald Group Publishing Limited, 	To determine if information and communication technologies can make significant contributions to	Descriptive statistics, perception gap, ANOVA	The study developed a shared vision for all stakeholders on good governance in the Indian context.

Research Topic	Authors and Publishers	Research Objectives	Research Method and Design	Research Findings, Conclusions, and Recommendations
Governance Through E-Governance Optimization: A Case Study of Punjab in India	0033-0337	the achievement of good governance objectives.	and factor analysis.	The study helps policymakers focus on certain factors for enhancing speedy delivery of prioritized services and promoting good governance in developing countries.
Governance of Cash Waqf at Direct Aid Society: Analytical and Maqasid Study	- Huda Yagoob Ahmed (2020) - Master's thesis at IRK, IIUM	To investigate the effectiveness of education cash waqf practice and its adoption of good governance at Direct Aid Society.	Library research and interviews.	95% of the Waqf portfolio at Direct Aid Society comes from cash waqf. Direct Aid Society has a robust good governance application supported by external Shari'ah, audit, and legal committees. A consolidated investment umbrella was established to support the educational waqf projects in GCC countries based on good governance principles.
Do Governance Quality and ICT	- Mallick (2020) - Springer Science	To understand the role of Information and Communication Technology (ICT) infrastructure and	Econometrics	ICT and governance quality have no significant positive effect on the overall tax revenue collections in India, where a major portion of the gross

Research Topic	Authors and Publishers	Research Objectives	Research Method and Design	Research Findings, Conclusions, and Recommendations
<p>Infrastructure Influence</p> <p>Tax Revenue Mobilization? An Empirical Analysis for India</p>		<p>institutional/governance quality in affecting efficient revenue mobilization.</p>		<p>national income is generated in the informal sector.</p> <p>Greater amounts of revenues could be generated through the robust usage of ICT in the case of individuals and institutions that are compelled to do most of their transactions (above certain minimum ceilings) through banks and with the help of ICT.</p> <p>The study suggests that the ICT infrastructure alone may not lead to the mobilization of greater tax revenues unless it is greatly supplemented with governance quality and efficient administrative machinery to properly govern the taxation system of the country.</p>
<p>Study of E-Governance and Online</p>	<p>- Behl, Dutta, and Chavan (2019)</p>	<p>To understand the financial behavioral aspect of donors who provide monetary help</p>	<p>Quantitative Survey</p>	<p>The study found that there is a potential to encourage people to donate more using online platforms and that</p>

Research Topic	Authors and Publishers	Research Objectives	Research Method and Design	Research Findings, Conclusions, and Recommendations
<p>Donors for Achieving Financial Resilience Post Natural Disasters</p>	<p>- ACM Digital Library</p>	<p>for the financial resilience of the beneficiaries.</p>		<p>government awareness of such platforms is highly important.</p> <p>The role of transparency in dealing with financial donations need to be integrated in digital payment systems.</p> <p>E-governance platforms need to be engaging so that donors and potential donors know how effectively their donations will be used for the economic and financial growth of the needy.</p> <p>The study highlighted the importance of the triangulation approach in integrating technology, financial donations, and e-governance through the lens of the Unified Theory of Acceptance and Use of Technology (UTAUT).</p>

Research Topic	Authors and Publishers	Research Objectives	Research Method and Design	Research Findings, Conclusions, and Recommendations
<p>E-Governance and Governance: A Case Study of the Assessment of the Effects of Integrated Financial Management System on Good Governance in Two Municipal Councils in Kenya</p>	<ul style="list-style-type: none"> - Waema (2007) - ACM Digital Library 	<p>To attain empirical evidence of the effects of ICT on governance, and how these effects should be evaluated.</p>	<p>Surveys and key informant interviews</p>	<p>The implementation of an integrated financial management system was successful at the two municipal councils in Kenya, with positive good governance outcomes in terms of responsiveness, accountability, transparency, efficiency, and effectiveness in the absence of ICT functions.</p> <p>This means that the role of ICT is insignificant in the practice of good governance.</p>
<p>Management of Zakat Payment Based on FinTech for Good Corporate Governance Improvement</p>	<ul style="list-style-type: none"> - Pertiwi Utami, Basrowi, and Julianas (2019) - Online Science Publishing 	<p>To understand the implementation of good corporate governance in the management of FinTech-based payment zakat.</p>	<p>Secondary data analysis for the most up-to-date literature sources.</p>	<p>The use of FinTech in zakat payment helps to improve people's welfare.</p> <p>FinTech law is not in conflict with Sharia principles and does not contain haram elements.</p>

Research Topic	Authors and Publishers	Research Objectives	Research Method and Design	Research Findings, Conclusions, and Recommendations
				The implementation of zakat payment principles based on FinTech enhanced the practice of good corporate governance in the National Zakat Amil Agency.
From Good Governance to Governance for Good: Blockchain for Social Impact	<ul style="list-style-type: none"> - Seyedsayamdost and Vanderwal (2020) - Wiley Online Library 	To explore the use of blockchain technology with a view to understand its implications for governance in the fields of development and humanitarian aid.	Literature Review	<p>It is not clear how technology might be flattening governance structures and how the state and other third-party actors appropriate blockchain to self-empowerment.</p> <p>There is a need to better understand how the introduction of blockchain may impact governance structures.</p>
Blockchain Technology for Corporate Governance and Shareholder Activism	<ul style="list-style-type: none"> - Lafarre and Van der Elst (2018) - Elsevier 	To assess the applications of blockchain technology in the field of corporate governance, paying special attention to the restructuring of the old-fashioned Annual General	Literature Review	<p>The study found that blockchain technology can play an important role in the modernization of the Annual General Meeting of Shareholders.</p> <p>Blockchain technology can lower shareholder voting costs substantially</p>

Research Topic	Authors and Publishers	Research Objectives	Research Method and Design	Research Findings, Conclusions, and Recommendations
		<p>Meeting of Shareholders (AGM).</p> <p>To discuss the possibilities offered by blockchain and smart contracting technology in the development of new solutions for the classical agency problem in corporate governance, and to provide tools for improving governance processes.</p>		<p>and offer opportunities for enhancing the AGM's forum function.</p> <p>It can also decrease organization costs for companies and increase the speed of decision-making, on top of making the AGM a fast and lean corporate organ.</p>

2.8 CHAPTER SUMMARY

The chapter discussed Islamic social finance institutions globally and in Kuwait. In this regard, the researcher focused on the charity part of Islamic social finance institution which is compatible with the context of the current study including the three main dimensions of Sadaqah, Waqf, and Zakat. The chapter discussed also the proper description of the institution case study of this research which comes under Independent Non-profit Islamic Social Finance (INPISF). Based on the review of related studies, lack of governance was identified as one of the main issues in Islamic social finance institutions, particularly the lack of transparency, trust, disclosure, accountability, and financial stability. Besides, the application of FinTech in Islamic social finance institutions was found to enhance fundraising transactions, stakeholder trust, transparency, and stakeholder protection. At the same time, many studies indicated that the use of FinTech – particularly blockchain – enhances good governance practices in general. This current study, however, focuses on the FinTech tools of crowdfunding and digital payment and how they affect the practice of good governance in Islamic social finance institutions. Finally, the chapter presented a justification of the selection of Direct Aid Society as the case study, along with a summary of the reviewed studies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research methodology adopted for data collection and analysis to answer the research questions and achieve the research objectives. The main objective of this research is to explore the moderating role of FinTech in affecting the practice of good governance in Islamic social finance institutions by using the case study of Direct Aid Society. The study also discusses the issues and challenges in applying good governance at Islamic social finance institutions in order to make recommendations for improving good governance practices and stakeholder protection in Islamic social finance institutions.

A proper research methodology will ensure the validity of the research outcomes. Therefore, to ensure the validity of the research findings and to accomplish the research objectives, the researcher chose the qualitative method of conducting in-depth interviews with a group of respondents encompassing the top management and board of directors of the selected case study as well as several independent governance experts and regulators in The State of Kuwait. This approach allows for the collection of proper and accurate data on the existing practices of the case study based on the experiences of the high-profile respondents. This chapter also discusses the key research strategies applied as well as the data collection description and methods illustration.

3.2 RESEARCH METHODOLOGY AND STRATEGY

3.2.1 Qualitative Research

Qualitative research is generally concerned about interpretation (Blumer, 1969; Strauss and Corbin, 1998; Denzin and Lincoln, 2003). It is a multi-method that includes the collection and use of a variety of empirical materials and approaches (Silverman, 2005; Flick, 2007; Denzin and Lincoln, 1998; Silverman, 2013). It focuses on the objective

nature of behavior and its subjective meanings, i.e., individuals' perceptions of their manners, events, situations, motivations, and behavior (McIntyre, 2005.; Creswell, 2009). It also focuses on what people say and do in specific places and institutions in social and temporal contexts (Morrill and Fine, 1997; Goodwin and Horowitz, 2002). For these reasons, the qualitative approach is considered as an interpretative science (McIntyre, 2005). On the other hand, quantitative research is based on the positivist paradigm, which uses statistics for a wide coverage that can be collected from large samples. Also, quantitative research focuses on "the what is" rather than "what ought to be" (Easterby-Smith et al., 2015). Consequently, quantitative research is not effective for understanding processes, which makes its result less appropriate for policy implications. Hence, the qualitative approach is chosen for this research as the researcher is attempting to recommend a better adoption of good governance for Islamic social finance institutions via the usage of FinTech tools. This requires a deep understanding of the current adoption practices of good governance and FinTech tools at Islamic social finance institutions and Direct Aid Society.

3.2.2 Case Study Research

Case study research is one of the first types of research to be adopted in qualitative methodology. It has been largely used in social sciences and found to be especially valuable in practice-oriented fields including education, social work, management, and public administration (Mills et al., 2010).

According to Sturman (1997), the case study approach is generally used for exploring an individual, group, or phenomenon. In other words, a case study is a comprehensive description of an individual case and its analysis. Mesec (1998) defines case study in the context of social work: "It is a description and analysis of an individual matter or case with the purpose to identify variables, structures, forms, and orders of interaction among the participants in the situation (theoretical purpose), or in order to assess the performance of work or progress in development (practical purpose)". He confirmed that one case study could serve theoretical and practical purposes at the same time.

The case study research may entail a singular case or multiple cases. There are three types of a singular case study in terms of time dimension:

- i) Retrospective case study: This is the simplest type of study which includes data collection related to a past phenomenon where the researcher looks back on the phenomenon, situation, person, or event and studies it from a historical perspective.
- ii) Snapshot study: The case is examined based on a certain period of time, such as a current event or day in an individual's life (e.g., month, week, day, or hour).
- iii) Diachronic study: The case is studied over time, similar to a longitudinal study (Thomas, 2011).

In the context of this research, the case study approach is used to evaluate the practice of good governance in a unique Islamic social finance institution, i.e., the first institution in its field that adopted good governance principles in The State of Kuwait, with the aim to improve the adoption of good governance principles in Islamic social finance institutions. Therefore, the researcher chose to conduct a singular case study research, specifically a retrospective case study, to look back at the selected case study's history of practicing good governance principles in order to gain in-depth understanding of its application and to explore the impact of using FinTech on the practice of good governance in Islamic social finance institutions.

3.3 DATA COLLECTION

This study applies multiple methods of data collection including library research, official document analysis, and interviews. These methods are sufficient enough for collecting adequate data towards achieving the research objectives and deriving accurate outcomes. The following sections explain the application of the three data collection methods in this study.

3.3.1 Library Research

Library research is the process of gathering information from library resources such as theses, textbooks, academic papers, dissertations, academic journals, and conference proceedings. It also entails the gathering of information through search engines via the Internet (Ali, 2021). In this study, library research was carried out to analyze secondary data on the adoption of good governance and the use of FinTech in Islamic social finance institutions, with the aim to achieve the first and second research objectives.

3.3.2 Document Analysis

This is one of the qualitative data collection methods where the data needs to be examined and interpreted in order to extract meaning, gain deep understanding, and develop empirical knowledge (Corbin & Strauss, 2008; Rapley, 2007). It is also a systematic technique for reviewing and evaluating printed and electronic documents (computer-based and Internet-transmitted). Verified text and images may be present in documents even without a researcher's involvement. Documents used for systematic assessments may take different forms such as advertisements, agendas, minutes of meetings, manuals, books, background paper brochures, diaries and journals, event programs (i.e., printed outlines), maps, and charts. They can also be in the form of letters and memoranda, newspaper clippings/articles, press releases, program proposals, application forms, summaries, organizational or institutional reports, radio and television program scripts, survey data, and various public records. Scrapbooks and photo albums can also provide documentary material for qualitative research purposes (Labuschagne, 2003).

Merriam (1988) confirmed that: "Documents of all types can help the researcher uncover meaning, develop understanding, and discover insights relevant to the research problem." These types of documents can be found in libraries, newspaper archives, organizational or institutional files, and historical society offices (Labuschagne, 2003). According to Stake (1995) and Yin (1994), the document analysis method is highly appropriate for case study research, especially for intensive studies, resulting in rich descriptions of a single phenomenon, event, organization, or program. This method is

needed for selecting, evaluating (making sense of), and synthesizing data to enable better usage and to generate accurate results. The outcomes of document analysis can be in the form of data extracts and quotations, which are then organized into categories, themes, and case examples specifically through content analysis (Labuschagne, 2003).

In the context of this research, the researcher attempted to obtain various official documents from the selected case study related to its application of good governance and the use of FinTech tools in respect of the implemented policies, with the aim to develop a deep understanding of the case study and to generate accurate outcomes. This was performed after attaining verbal consent from the management, where the researcher has been working at for several years.

3.3.3 Interviews

This is the most predominant qualitative method in management and organization research (Bluhm et al., 2011). It is one of the methods for primary data collection (Hackett, 2003). Generally, the interview method can either be a standard or structured interview, unstructured interview, or semi-structured interview (Holloway & Daymon, 2002). This tool is widely adopted to collect information about the respondents' experiences, point of views, and thoughts regarding certain research questions (Lambert & Loiselle, 2007). Sandelowski (2002) said that the one-to-one interview is the most adopted method in qualitative research. By interviewing respondents face-to-face, the researcher would be able to interpret non-verbal cues via eye contact, face expression, and body language. This may enhance understanding of what is being said by the respondent. Face-to-face interviews also allow for direct explanations of any unclear meanings (Coughlan, 2009).

In the context of this study, the researcher developed semi-structured open-ended questions that are presented in a well-arranged structure and logical order to cover all the details of good governance and FinTech applications and issues at Islamic social finance institutions. Conducting semi-structured interviews is more suitable when the researcher has good knowledge about the study topic, which helps in framing the

appropriate dialogs in advance (Morse & Richard, 2002). Therefore, the researcher asked each of the respondents certain questions based on their specialization to obtain the most accurate outcomes from the data analysis.

The interview questions were constructed based on the conceptual framework underpinned by the neo-institutional theory, stakeholder theory, and organizational legitimacy theory. For example, the first and second groups of interview questions inquire about the impact of FinTech and governance on institutional performance, whilst the other questions inquire about the impact of FinTech and governance on stakeholder protection. The third and fourth groups of interview questions seek to inquire about organizational legitimacy, i.e., by inquiring about the issues and challenges faced by the case study institution in applying good governance practices so as to link them with the usage of FinTech tools. The interview questions were constructed based on the lessons learned from past studies on the application of good governance in Islamic social finance institutions, the use of FinTech tools in Islamic social finance institutions, and the impact of FinTech on good governance as discussed in Chapter Two. The interview questions were reviewed by academics and experts at the case study institution who specialize in good governance.

3.4 POPULATION, SAMPLE SIZE, AND ACCESSIBILITY

The scope of the interview is limited to a single case study, namely Direct Aid Society. As the application of good governance is mostly related to the top management and board of directors, the study population hence encompasses the external governance experts of Direct Aid Society and regulators in The State of Kuwait who collectively witnessed, handled, and supervised the process of applying good governance standards. To understand the role of FinTech in the adoption of good governance, the researcher selected several team leaders who are responsible for the application of FinTech tools such as crowdfunding platforms, payment gates, software programs, and digital marketers.

In terms of sample size determination, Boyd and Ellison (2007) suggest that interviews would benefit from having two to 10 participants. Morse (1994) suggests

that at least six participants are needed for conducting interviews. According to Sandelowski (2000), interviewees must be chosen based on their knowledge of and ability to illustrate the event/issue under study. The sample of this study is expected to have truthful and unique perspectives on the event/issue under study. The researcher hence selected the participants based on their earlier knowledge in order to achieve the research objectives (Sosoulski and Lawrence, 2008). The sample size for a qualitative study does not require a specific number of respondents (Robson, 2002). Researchers can efficiently work with small sample sizes (Miles and Huberman, 1994). Therefore, the current study selected 10 participants in the aforementioned positions in order to achieve the research objectives. In terms of accessibility, it is worth mentioning that the researcher has been working in the case study institution as a Chief Marketing Specialist, which eased access to the respondents and to the attainment of accurate information, leading to positive research outcomes.

The saturation stage was planned with an estimated sample of six respondents. However, once the initial sample was determined, the sample size was broadened to 10 respondents although saturation was reached after the first seven respondents. The current study also adopted the snowball strategy to reach saturation, especially because all the external respondents were recommended from the initial sample of respondents. By interviewing external respondents and diversifying the sources of data, data triangulation was accomplished thus enabling a comprehensive understanding of the case study and the validation of the study outcomes.

As articulated by Ashton and Kramer (1980), in instances where the research objective is a direct application of a task, it is deemed advantageous to examine individuals who are actively engaged in the respective field or institution. Hence, the respondents in this current study were selected based on the following criteria:

- a) Members of the board of directors who participated in the governance project before the actual commencement of governance, and later participated in the governance committee.

- b) The manager of the application of good governance and FinTech tools at Direct Aid Society.
- c) Team leaders involved in the adoption of good governance and who are dealing with all FinTech tools at Direct Aid Society.
- d) External governance experts who were appointed as independent members at the governance committee of Direct Aid Society.
- e) Related regulators from supervisory bodies such as the Ministry of Social Affairs in The State of Kuwait.

3.4.1 Personal Interviews

The researcher conducted face-to-face interviews as he works closely with the respondents. The interviews comprised semi-structured questions developed based on the study's conceptual framework. To mitigate the potential loss of information conveyed during the interviews, the researcher sought consent from the participants to audio-record the interviews. According to Sekaran (2003), the interviewer should refrain from depending on memory, as the information recalled may be unreliable, inaccurate, and predominantly erroneous. Therefore, the researcher jotted down notes during the interviews to enhance the data analysis quality and accuracy.

The interview sessions were anticipated to last between 30 to 40 minutes. Although the interview questions were formulated in the English language, all the respondents opted to provide their responses in the Arabic language. Subsequently, these responses were translated and transcribed as accurate as possible. Throughout the data collection phase, adherence to stringent confidentiality protocols was maintained by the researcher, with the data securely stored in a locked and safeguarded environment.

3.4.2 Respondents' Profiles

The interviews were conducted with 10 respondents including six top managers responsible for the adoption of good governance and usage of FinTech tools in Direct Aid Society. The remaining four respondents consist of the team leader of Direct Aid Society' internal audit office, a member of Direct Aid Society' board of directors, a regulator from the Ministry of Social Affairs in The State of Kuwait, and an external independent governance expert. There were more respondents from Direct Aid Society as it is the case study from which the research aims to obtain detailed and accurate information. The external respondents were interviewed to enrich the data, as they had worked very closely with Direct Aid Society and witnessed its establishment of good governance standards from 2020 until 2022, i.e., the set research period. The two external parties were interviewed because one is the regulator who supervised Direct Aid Society directly, whilst the other worked as an independent governance expert for Direct Aid Society. Specifically, the researcher chose only two external parties because they were the only ones available, and that they are the most related to the application of good governance at Direct Aid Society and who are aware of its application of FinTech tools. Table 3.1 below presents the respondents' positions and profiles.

Table 3.1 List of Respondents, Their Positions, and Years of Service

Respondents' Numbering	Respondents' Positions	Organization Name	Number of Service Years
Respondent 1	General Manager	Direct Aid Society	12 years
Respondent 2	External governance expert	Independent Governance Expert	-
Respondent 3	Board of Director member. Governance expert. Chairman of Governance Committee.	Direct Aid Society	43 years
Respondent 4	Planning Office Manager.	Direct Aid Society	9 years

Respondents' Numbering	Respondents' Positions	Organization Name	Number of Service Years
	Leadership Committee member. Governance project member.		
Respondent 5	Sustainability Office Manager. Rapporteur of the Governance Committee.	Direct Aid Society	9 years
Respondent 6	Internal Audit Team Leader	Direct Aid Society	21 years
Respondent 7	Marketing, PR and Media Department Manager. Responsible for the organizations' website and digital payment.	Direct Aid Society	7 years
Respondent 8	Charitable Associations and Institutions Manager. Regulator.	Ministry of Social Affairs in The State of Kuwait	-
Respondent 9	Deputy General Manager for resources development. Founder of the website-based crowdfunding platform of Direct Aid. Crowdfunding expert & Social Media Influencer.	Direct Aid Society	11 years
Respondent 10	Quality and Institutional Excellence Office Manger	Direct Aid Society	9 years

Source: Author's own

3.4.3 Date and Duration of Interviews

The interview dates were determined based on the availability of the respondents so that an appropriate environment can be set that would enable quality time with them, therefore yielding a fruitful interview with accurate results. The interview duration was pre-determined at an average of 30-40 minutes for each respondent. Table 3.2 presents

the date and duration for each respondent. The respondent's numbering was arranged based on the comprehensiveness and depth of each interview to ease the flow of ideas during data analysis.

Table 3.2 List of Dates and Durations of Interviews

Respondent No.	Interview Duration	Interview Date
Respondent 1	45m	28/11/2023
Respondent 2	49m	04/12/2023
Respondent 3	59m	29/11/2023
Respondent 4	1.15h	30/11/2023
Respondent 5	47m	23/11/2023
Respondent 6	1.16h	04/11/2023
Respondent 7	38m	30/10/2023
Respondent 8	31m	03/12/2023
Respondent 9	53m	30/10/2023
Respondent 10	2.21h	04/12/2023

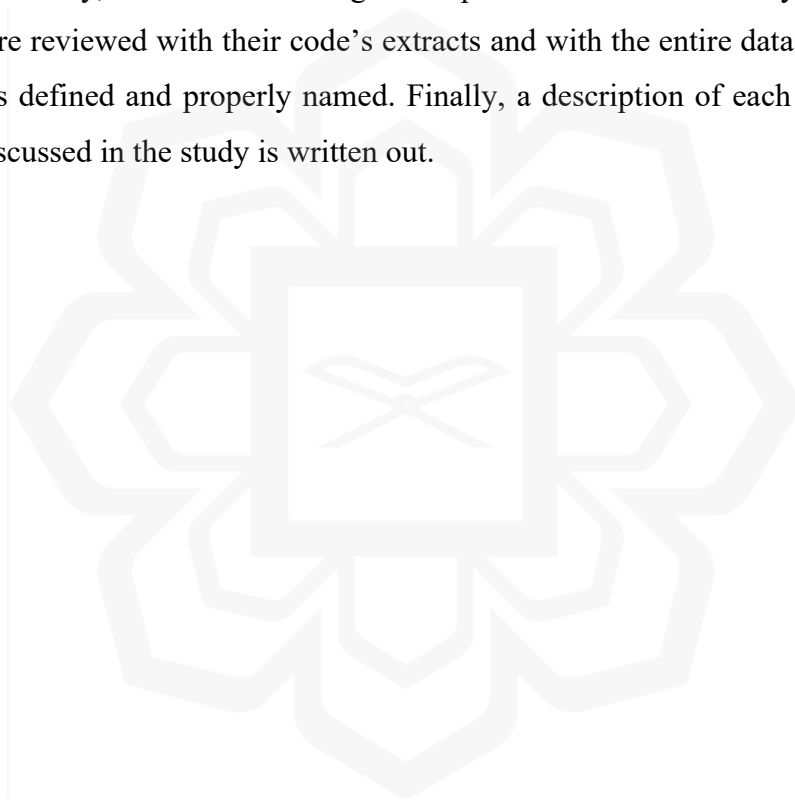
Source: Author's own

3.5 DATA ANALYSIS

Subsequent to the data collection, the researcher analyzed the data thematically to code the common topics representing the issues and perceptions on the practice of good governance and the use of FinTech in Direct Aid Society. In qualitative research, researchers move from data collection to describing, understanding, interpreting, and explaining the data (Sunday, 2015). In other words, data in qualitative research is usually recorded in the form of words, descriptions, beliefs, and feelings rather than numbers and figures (Drew et al., 2007).

Walliman (2010) emphasized that in the process of analyzing data, the data should be arranged and divided into effective units based on the research topics or issues. In the context of this research, the data collected from the interviews was transcribed, with some translated first. The data analysis employed the thematic analysis

approach. According to Braun and Clarke, (2006) this approach is conducted to recognize, analyze, and report patterns for the gathered data. The thematic analysis approach has many advantages including the capability of summarizing essential features of large data, as well as featuring the similarities and differences of the collected data (Braun & Clarke, 2006). This approach is supported by the six-step method to ensure a more accurate performance analysis, as suggested by Braun and Clarke (2006). Firstly, upon concluding each semi-structured interview session, the data should be instantly transcribed verbatim by the interviewer for proper coding later. Secondly, the initial codes are selected to represent any features occurring in the whole dataset. Thirdly, the codes are arranged into potential themes. Fourthly, these themes or topics are reviewed with their code's extracts and with the entire dataset. Fifthly, each theme is defined and properly named. Finally, a description of each theme, topic, or issue discussed in the study is written out.



3.6 RESEARCH DESIGN

Table 3.3 Research Design

Process flow	Process description	Comments
<div style="border: 1px solid black; padding: 5px; text-align: center;">Choosing the case study based on certain criteria</div> <p style="text-align: center;">↓</p>	Determine some related aspects of the case study	Single case study - Retrospective Type
<div style="border: 1px solid black; padding: 5px; text-align: center;">Develop semi structured interview questions</div> <p style="text-align: center;">↓</p>	Arranged 4 related group of questions	Reviewed by academicians and experts at the case study
<div style="border: 1px solid black; padding: 5px; text-align: center;">Choosing proper informants</div> <p style="text-align: center;">↓</p>	Adopting snowball strategy	10 informants with different specializations and domains
<div style="border: 1px solid black; padding: 5px; text-align: center;">Conduct the action research</div> <p style="text-align: center;">↓</p>	Conduct the action research	Oct 30 - 04 Dec
<div style="border: 1px solid black; padding: 5px; text-align: center;">Disseminate result</div> <p style="text-align: center;">↓</p>	Report findings	Using NVIVO 14 to rearrange and refine the collected data for analyzing the related case study aspects
<div style="border: 1px solid black; padding: 5px; text-align: center;">Discussion</div>	Discussion on exploring the role of using FinTech on governance	Improved comprehensive understanding of the influence of selected FinTech tools on governance

Source: Author's own

3.7 CHAPTER SUMMARY

This chapter discussed the research methodology used in this study, i.e., the single case study approach. The data collection process was discussed next focusing on the interview method, which is the main data collection method in this research. Key personnel in the field of Islamic social finance, good governance, and FinTech industry from Direct Aid Society and outsiders were interviewed to gain in-depth insights of the impact of FinTech on the practice of good governance. Respondents from Direct Aid

Society include the relevant top managers and board of director members. The external respondents include a regulator from the Ministry of Social Affairs in The State of Kuwait and an independent governance expert who work for Direct Aid Society. This chapter also presented the data analysis method employed namely the thematic analysis method. The next chapter will discuss the case study, i.e., Direct Aid Society focusing on its usage of FinTech tools and practice of good governance standards.



CHAPTER FOUR

CASE STUDY OF DIRECT AID SOCIETY

4.1 INTRODUCTION

This chapter elaborates on the case study of Direct Aid Society, specifically to highlight its practice of good governance and usage of FinTech tools, and the relationship between both. In addition, this chapter provides an overview of the history, projects, activities, and financial performance of Direct Aid Society over the period of 2020-2022, as well as the results of its good governance standards assessment for the same period. Lastly, the chapter elucidates the relationship between the usage of FinTech tools and the practice of good governance in Direct Aid Society from the perspective of the researcher as he has been working at the organization since 2020 as a Chief Marketing Specialist.

4.2 OVERVIEW OF THE CASE STUDY

According to the official website of Direct Aid Society (formerly known as the African Muslims Agency), Direct Aid Society is a non-governmental organization established in 1981 with the aim of improving the lives of those in need across Africa and Yemen via knowledge-based development. Its focus on sustainability and the holistic approach to development renders Direct Aid Society as a unique and valuable contributor to the betterment of communities in Africa via the development of education, healthcare, relief, orphan care, and public benefit projects including the provision of clean drinking water and building of mosques. This is in addition to the spread of *Da'wah* (awareness) and various development projects to support the needy and improve their lives on top of fostering positive change in Africa (Direct Aid Society, 2022).

In general, Direct Aid Society prioritizes education as a crucial component in transforming the dire circumstances in Africa. The organization's motto, "Education is a legitimate right for every child in Africa", highlights its emphasis on providing access

to educational opportunities for all individuals, regardless of their background. In its pursuit of leadership in the development sector, Direct Aid Society has taken innovative steps towards sustainability including with the establishment of *Waqf* (endowment) projects. These projects aim to provide support and resources to disadvantaged communities including orphans as well as victims of disasters and famines through development work, public benefit initiatives, healthcare, and awareness projects (Direct Aid, 2022).

Its mission, as stated in its official website, is to provide developmental and integrated services in the African continent through social centers close to the beneficiaries in an impartial way without discrimination from its donors and partners. The vision of Direct Aid Society is to raise the level of empowerment in African societies. The institution relies on the core value of *EHSAN* or goodness, whereby the workers and volunteers perform charity work for the benefit of poor societies with the sole intention of pleasing Allah SWT, and not for any personal or financial gains. *EHSAN* is in fact an acronym for the following values: i) Efficiency: working diligently to fulfill the beneficiaries' needs at the lowest possible cost but at the highest quality, ii) Honesty: the institution transparently and honestly discloses all administration and financial activities to the stakeholders, iii) Sympathy: the institution establishes a relationship based on compassion and kindness amongst Direct Aid Society employees and with its beneficiaries, iv) Availability: to reach the donors and the beneficiaries directly and to fulfill their needs without any intermediaries, and v) Neutrality: to provide services to all regardless of race or religion (Direct Aid, 2022).

The strategic objectives of Direct Aid Society can be summarized into the four main objectives below:

- i) Institutional Excellence, i.e., achieving high and sustainable levels of performance that meet or exceed the expectations of all the stakeholders (Direct Aid, 2022). In this regard, the institution has been recognized with a 3-Star excellence rating in 2021 by the European Foundation for Quality Management.

- ii) Empowering team members, developing their capabilities, and promoting their affiliation and loyalty. In this regard, the organization's turnover ratio was reduced to 3.7% at the end of 2021 (Direct Aid, 2022). For the same year, the number of employees reached 9,366.
- iii) Social Impact, i.e., developing the fieldwork to maximize the impact of charitable and development activities in the concerned areas.
- iv) Financial Sustainability, i.e., achieving excellence and creativity in developing financial resources to improve the delivery of services and increase the satisfaction of donors (Direct Aid, 2022).

4.2.1 An Historical View of Direct Aid Society

In 1981, the founder of Direct Aid Society, Dr. Abdelrahman Alsumait, was informed that a philanthropist woman named Om Ali wants to build a mosque. The founder and his friends suggested building it in a poor country where the local Muslims are not able to build it themselves (Direct Aid, 2022). The Republic of Malawi, located in southern Africa, was chosen due to the immense hardship and suffering experienced by the Muslims there.

Hundreds of thousands of children there are unable to fulfill their most basic needs such as accessing medical treatment for malaria which costs no more than 10 fils, having a meal which costs only 15 fils, or paying tuition fees which cost no more than 500 fils annually (Direct Aid, 2022). The founder and a group of his friends were motivated to engage in an organized effort to ensure the continuation of charitable initiatives, not just in Malawi, but throughout Africa. In doing so, they observed the goodwill in the hearts of their own communities in The State of Kuwait and the strong desire to support their Muslim brothers who are not as fortunate. Thus, in 1981, the Malawi Muslims Committee was established with the intention to provide support to other countries in Africa (Direct Aid, 2022).

In 1984, the organization was renamed as the Africa Muslims Agency, and its development programs and assistance grew to include both Muslims and non-Muslims. Its activities also expanded to many African countries. Over time, the organization expanded to provide a wide range of human, social, health, and educational services, as well as mosques, schools, wells, and numerous charitable endeavors, benefiting millions of people (Direct Aid, 2022).

In 1999, the board of directors subsequently adopted the name Direct Aid Society to be more representative of the organization's expansion to include both Muslims and non-Muslims as well as to express the organization's practice of providing charity services directly to the beneficiaries through its employees, without any intermediaries (Direct Aid, 2022).

In 2012, the organization witnessed a strategic transformation in terms of its administration systems and structure as well as regulations and procedures (Direct Aid, 2022). This transformation encompassed the application of the most advanced accounting systems and the development of databases, human resources, key performance indicators, risk management practices, internal and external Shari'ah audit, financial performance analysis, and assessment of investment prospects for *Waqf* assets. It also entailed the implementation of disclosure, transparency, and compliance practices on top of advanced technology applications.

4.2.2 The Administrative Structure of Direct Aid Society and its Relation to Good Governance and FinTech

Describing the administrative structure of the case study gives a full picture of who reports to whom, the positioning of good governance, and how it affects the other departments. In addition, it shows how the board of directors is responsible for the application of good governance, risk management practices, and internal audits.

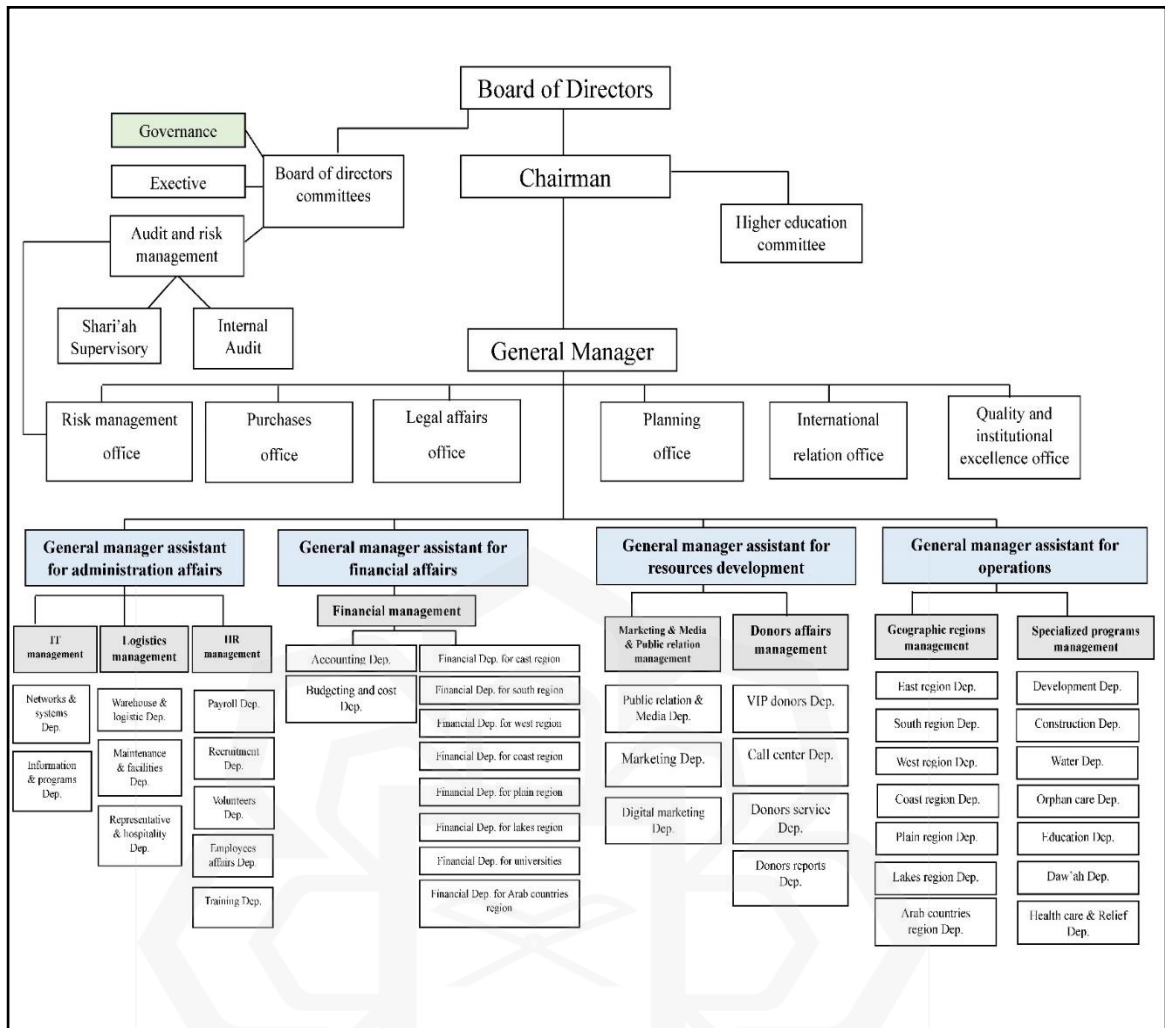


Figure 4.1 The Organizational Structure of Direct Aid Society in 2022
 Source: Adopted from the 2022 Annual Report of Direct Aid Society

Figure 4.1 shows that Direct Aid Society has a governance committee directly under the board of directors. The committee comprises members of the board of directors, members of the executive management, and an external governance expert (Direct Aid, 2020). It is responsible for reporting the organization’s governance performance results to the board of directors twice per annum, updating the practices of good governance, and reviewing the annual report of the institution (Direct Aid, 2020). This committee hence plays a great role in enhancing the practice of good governance as well as improving stakeholder protection in Direct Aid Society.

In terms of the position of FinTech tools under the organizational structure (see Figure 4.1), it appears in three main locations. The first is under IT management via the

usage of advanced networks, systems, and software programs, which in turn support the usage of FinTech at the institution. The second location is under marketing, public relations, and media management, especially with the digital marketing department. This department, manned by 15 personnel, is responsible for the management of the crowdfunding platform and all features of the hosted digital payment gates. The third location is the quality and institutional excellence office, which reports directly to the general manger. The office continuously monitors the performance of the FinTech tools and suggests new practices to elevate Direct Aid Society to new levels of institutional excellence. In this regard, Direct Aid Society was recognized with a 3-Star excellence rating in 2021 by the European Foundation for Quality Management (EFQM) (Direct Aid, 2021). Direct Aid Society is now working towards attaining a 5-Star excellence rating in the near future.

4.2.3 Direct Aid Society Projects and Their Relation to Good Governance and FinTech

According to the official website of Direct Aid Society (2023), the organization provides many projects and services for the disadvantaged communities in Africa and Yemen. Such projects are divided into three main categories namely Sadaqah, Waqf, and Zakat. Generally, the provided projects consist of development, educational, awareness, healthcare, relief, orphan care, public benefit, relief, and awareness projects.

4.2.3.1 The Provided Projects for Sadaqah

a) Development Projects

According to the development projects guide of Direct Aid Society (2021), the organization provides development projects because it espouses the principle of enhancing employment levels in the most impoverished African communities by adopting practical measures that facilitate the development propelled by the people themselves. The rationale behind this focus on Africa stems from the fact that the region hosts 60% of the global population living in extreme poverty. Specifically, a staggering

490 million Africans subsist below the poverty threshold, with roughly half of the continent's population earning a meager daily income of USD 1.9. These dire conditions increase the likelihood of resource-based conflicts in the region (Development Projects Guide of Direct Aid, 2021).

Direct Aid Society' development projects prioritize the implementation of development initiatives that are culturally appropriate and aligned with the unique identity and heritage of the African communities. Based on the Development Projects Guide, the aim is to enhance the lives of impoverished families by supporting their income-generating capacities at multiple levels. These efforts are in line with Africa's 2063 agenda and the United Nations' sustainable development objectives, which seek to foster economic transformation, citizen empowerment, hunger alleviation, and increased per-capita incomes, ultimately promoting prosperity, peace, and security in the continent (Development Projects Guide of Direct Aid, 2021). By contributing to these objectives, Direct Aid Society aims to strengthen Africa's position as a global player.

Among the development projects that had gained Direct Aid Society' attention in recent years include those of animal-based production, farms, grain mills and banks, orchard farming, bakeries, vocational training centers and computer labs, tailoring centers, and soap factories. Direct Aid Society has successfully implemented 20,000 development projects in Africa, thereby positively affecting the lives of approximately 700,000 individuals. These figures are congruent with the objectives laid out in Africa's 2063 agenda, which strives to create employment opportunities for at least one out of every four job seekers and foster a robust and sustainable economy (Development Projects Guide of Direct Aid, 2021).

b) Educational Projects

According to the Educational Projects Guide of Direct Aid Society (2021), in Sub-Saharan Africa, approximately 97.5 million children between the ages of 6 and 17 are not enrolled in school due to financial constraints. The guide states that out of this total figure, 52 million are female while 45.5 million are male. Regrettably, this proportion

represents the highest out-of-school rate worldwide, constituting 31.2% of the total out-of-school children globally. Direct Aid Society' founder prioritizes education as the most valuable investment in Africa, aligned with Africa's 2063 agenda and the United Nation's sustainable development goals (Educational Projects Guide of Direct Aid Society, 2021). The organization believes that accessible education empowers citizens, transforms the economy, eradicates poverty and hunger, and ensures a good quality of life. Direct Aid Society aims to have every child attend school and seven out of 10 in higher education. The organization believes that education is the foundation for all fields, nurturing a new generation of skilled young people who would help Africa achieve self-sufficiency and independence from external aid.

Based on the guide, among the educational projects that Direct Aid Society has focused on in the past few years include the provision of school bags, extracurricular activities, textbooks, educational grants, school meals, lab equipment, school uniforms, school library, illustration and tools, and sports facilities and equipment. Direct Aid Society builds and operates a comprehensive educational infrastructure comprising 314 schools, catering to the educational needs of 1,567,059 enrolled students in kindergartens up to high schools. Complementing its scholastic provisions, the organization maintains 79 specialized vocational training centers, a subset of which are specifically designed to empower women and youths through targeted skills development (Educational Projects Guide of Direct Aid Society, 2021).

Furthermore, Direct Aid Society has made significant strides in higher education by establishing and sustaining four universities. These universities collectively accommodate an enrollment of 47,984 students, with 16,640 individuals benefiting from Direct Aid Society scholarships, which facilitate their pursuit of academic excellence. In addition to its efforts in formal education, Direct Aid Society also extends its support to Islamic institutions and Qur'anic schools, fostering an environment conducive to the exploration of heritage, identities, and the promotion of peaceful teachings. Through its establishment of 25 Islamic institutions and 587 Qur'anic schools, the organization facilitates the enrollment of 1,750 students in Islamic institutions and 17,610 students in Qur'anic schools, thereby providing them with the

opportunity to deepen their understanding of their faith (Educational Projects Guide of Direct Aid Society, 2021).

c) Healthcare Projects

According to the Healthcare Projects Guide of Direct Aid Society (2021), Africa exhibits the highest child mortality rate in contrast to other regions worldwide, primarily attributable to a pronounced insufficiency of medical infrastructure and support. The guide states that Africa faces an unprecedented burden of prevalent conditions such as malaria, cataracts, infectious diseases, and epidemics, surpassing that of other continents. In conjunction with these alarming circumstances, Africa remains plagued by a notable dearth of healthcare professionals. The guide elaborates that the amelioration of healthcare accessibility would undoubtedly yield a substantial reduction in maternal, child, and neonatal mortality rates, potentially halving their current figures. Moreover, the incidence of deaths attributed to HIV/AIDS and malaria would likewise experience a significant decline, again halving the prevailing toll (Healthcare Projects Guide, 2021).

Direct Aid Society maintains the conviction that access to healthcare is an inherent entitlement for all individuals residing in Africa, as well as other global regions. Consequently, the organization endeavors to rescue and preserve the lives of numerous children and mothers within Africa. This objective is realized through the intensified implementation of diverse healthcare initiatives, the establishment of preventive measures against diseases, and the reduction of infection rates. By doing so, Direct Aid Society actively contributes to the attainment of Africa's 2063 aspirations, which encompass the promotion of citizenry well-being, assurance of adequate nutrition, and fostering of robust infrastructure. Additionally, the guide states that Direct Aid Society' objectives effectively align with the United Nations' sustainable development objectives, particularly those aimed at securing a healthy existence and fostering well-being across all age cohorts. Consequently, these endeavors enable the African populace to realize their utmost potential and flourish by accessing a sustainable means of livelihood. Such programs serve to mitigate the detrimental effects of infectious diseases upon both individuals and communities, simultaneously affording

individuals a dignified life by restoring their capacity to engage in gainful employment. This facet is of paramount importance, as it facilitates individuals' ability to support their families and advance the development of their communities, thereby enhancing the overall economic landscape of the African continent.

Among the healthcare projects of Direct Aid Society include medical convoys, eye camps, vaccination campaigns, circumcision campaigns, and medical clinics. Direct Aid Society has implemented a total of 7,768 medical programs including surgery, vaccination campaigns, circumcision camps, and medical convoys (Healthcare Projects Guide of Direct Aid, 2021). Furthermore, Direct Aid Society has built and administrated 326 clinics, along with the establishment of eight hospitals, including three specialized ophthalmology hospitals in Niger (2) and Chad (1), as well as five general hospitals located in Tanzania, Somalia, Sierra Leone, Burkina Faso, and Benin. As a consequence of these endeavors, a significant populace exceeding 1,800,000 individuals has received direct benefits from the aforementioned projects, leading to the prevention of numerous fatalities (Healthcare Projects Guide of Direct Aid, 2021).

d) Orphan Care Projects

According to the Orphan Care Projects Guide of Direct Aid Society (2021), Africa is home to approximately 52 million individuals bereft of parental care, rendering it the domicile of a considerable proportion of the global orphan population, exceeding 35%. The age of these vulnerable individuals spans from newborns to 18-year-olds. The guide states that the numerical count of orphans in Africa exhibits a persistent upward trajectory, largely attributable to the pernicious ramifications of armed conflicts, strife, and substandard healthcare prevailing throughout the continent. The deleterious consequences of this predicament extend to the realms of education and nutrition, exerting an enduring adverse influence on their potential to attain a sustainable livelihood in the future. Evidently, this conundrum not only engenders detrimental repercussions on local communities, but also impinges upon Africa's economic vitality and its aspirational pursuits of commanding a robust and influential role on the global stage (Orphan Care Projects Guide of Direct Aid Society, 2021).

Direct Aid Society endeavors to deliver comprehensive care to orphaned individuals by addressing their educational, healthcare, vocational training, and ongoing monitoring needs. Additionally, the guide states that Direct Aid Society has established an educational environment that fosters psychological well-being and instills core values, with the ultimate objective of cultivating well-rounded and educated individuals who can make positive contributions to their communities and the wider continent. Direct Aid Society perceives orphans as potential future leaders who will play instrumental roles in the advancement and prosperity of their respective societies and nations. By providing essential life necessities to young individuals, Direct Aid Society aims to deter their exposure to extremist or violent ideologies that may fuel conflicts and exacerbate existing wars. This aligns with the objectives outlined in Africa's 2063 agenda, which emphasizes the engagement and empowerment of children and youths for the establishment of a peaceful continent. Ultimately, these efforts contribute to the well-being of orphans and serve as a catalyst for bolstering the economy and transitioning it into a sustainable framework. Moreover, Direct Aid Society actively enhances the qualifications and continuous development of supervisors and administrators within orphanages by conducting regular administrative and educational training courses and workshops (Orphan Care Projects Guide of Direct Aid Society, 2021).

Direct Aid Society' orphan program entails the provision of furniture, playgrounds, tutorial classes, training, tuition fees, medical examinations and treatment, personal toiletries, transportation, nutrition, clothing, Eid gifts, incentive rewards, outdoor activities, Eid celebrations, cultural competitions, orphans' welcoming ceremony, and annual alumni celebration. Currently, Direct Aid Society sponsors over 22,000 orphaned individuals. While a significant portion of these individuals reside within comprehensively furnished orphanages constructed under the auspices of Direct Aid Society, a minority does not have the privilege of residing within such facilities. Nonetheless, these individuals receive sponsorship and are afforded equitable treatment in order to facilitate the realization of their utmost capabilities (Orphan Care Projects Guide of Direct Aid Society, 2021).

e) Public Benefit Projects

According to the Water Projects Guide of Direct Aid Society (2021), one of the main and most important public benefit projects provided by Direct Aid Society is the provision of clean water to the remote villages in Africa which is not only for humans, but also animals and plants. This is because water contamination is widely recognized as a predominant catalyst for the proliferation of diseases and mortality on a global scale, with particularly severe ramifications observed in the African continent. The guide reveals that a staggering proportion exceeding 40% of Africa's populace resides in regions characterized by an acute scarcity of potable water. It is also disconcerting to note that approximately 42% of healthcare facilities situated in sub-Saharan Africa lack access to proximate water sources within a 500-meter radius (Water Projects Guide of Direct Aid Society, 2021). Consequently, the local population is compelled to undertake arduous journeys daily to acquire water, with the primary burden of this responsibility predominantly borne by the women. Disturbingly, the United Nations has estimated an annual loss of 40 billion hours within sub-Saharan Africa, solely attributable to the arduous task of collecting water (Water Projects Guide of Direct Aid Society, 2021).

Direct Aid Society also endeavors to mitigate the hardship faced by impoverished families in obtaining their fundamental daily necessities. This objective is accomplished through the implementation of environmentally-conscious initiatives, such as the construction of water wells in readily accessible areas, particularly those characterized by rocky terrains (Water Projects Guide of Direct Aid Society, 2021). In instances where drilling proves impractical, the organization erects concrete water tanks to collect rainwater during periods of ample precipitation, ensuring its availability during drought conditions. These environmentally-friendly endeavors are aligned with Africa's 2063 goals and the sustainable development goals (SDGs) set forth by the United Nations. The guide states that the water programs undertaken by Direct Aid Society contribute to the advancement of sustainable agriculture, peaceful coexistence, and the provision of adequate living conditions for all individuals. By ensuring the accessibility of affordable and sustainable resources to communities, in accordance with

the SDGs, these water wells effectively reduce conflicts arising from water scarcity (Water Projects Guide of Direct Aid, 2021). Consequently, individuals are afforded the opportunity to concentrate on fulfilling their personal aspirations and contributing to the resilience of Africa as a whole. It is worth noting that Direct Aid Society is committed to extending the provision of safe and potable water to nine out of 10 individuals, exemplifying their dedication to addressing this pressing issue (Water Projects Guide of Direct Aid, 2021). Direct Aid Society provides many water projects such as small and large artesian wells, water tanks, central water station and water pipes to inside villages. More than 27,168 water projects have been constructed, thereby yielding substantial benefits to a current count of 2.5 million individuals in Africa and Yemen (Water Projects Guide of Direct Aid, 2021).

Additionally, according to the Masajid Projects Guide of Direct Aid (2021), Direct Aid Society has built around 6,303 mosques as public benefit projects in the neediest areas in Africa where Muslims are residing in impoverished and isolated communities. The significance of these mosques extends far beyond merely serving as spaces for five daily prayers. The guide mentions that they serve as beacons for the dissemination of knowledge, fostering of harmony, and promotion of cultural enrichment. They possess the unique ability to unite individuals and provide them with a platform to contemplate concepts of inclusivity and fortitude. Consequently, this will undeniably contribute to enhancing the people's collective determination to collaboratively pursue prosperity and harmony across the entirety of Africa (Masajid Projects Guide of Direct Aid, 2021).

f) Relief Projects

Direct Aid Society carries out various relief projects related to the provision of food and non-food materials for people affected by crises, natural disasters, famines, epidemics, and diseases. This is facilitated by the quick response of The State of Kuwaiti air force which eases and speeds up the execution of relief projects. Through these projects, Direct Aid Society contributes to food security by providing the necessary food materials and clean water for at least one month or until the danger stage of the crisis subsides, in order to combat malnutrition-related diseases. The provision also includes

non-food materials such as tents, clothes, blankets, building materials, and medicine. Direct Aid Society also establishes small projects for affected and displaced people to generate sustainable income and gradually return home to stop their destitution (Direct Aid, 2023).

g) Awareness Projects

According to Direct Aid Society, consciousness and knowledge are the means for eradicating the spread of ignorance and superstitions, combatting poverty, and rejecting hatred. With consciousness, societies can pave their way to progress and elevate humanity to higher levels. Undoubtedly, the teachings of Islam and its tolerant message are sufficient to instill all the values that elevate individuals and communities to the highest ranks. Awareness projects by Direct Aid Society are carried out via radio broadcasts, development of broadcasting stations, awareness forums for men and women, awareness convoys, courses for new converts, development of converted housing, as well as development of Shari’ah institutes (Direct Aid, 2023) on top of the printing of the Qura’n, Quranic competitions, Iftar Saim, sacrificial animals, Haaj and I’mam sponsorships. Since the inception of Direct Aid Society until the end of 2022, it has established 674 Qur’anic schools and 26 Shari’ah studies institutes; provided 1,679 Haaj sponsorships, 6,201 I’mam sponsorships, 482,498 sacrificial animals, 37,233,082 Iftar meals in the month of Ramadan, and conducted 20,355 awareness programs (Direct Aid, 2023). Table 4.1 below summarizes and briefly explains the impact of the Sadaqah projects provided.

Table 4.1 Summary of the Provided Sadaqah Projects by Direct Aid Society

No	Name of Project	Objective	Achievement
a)	Development projects	Enhancing employment levels in the most impoverished African communities.	Implementing 20,000 development projects for the benefit of 700,000 individuals.
b)	Educational Projects	Empowering people, transforming the economy, and achieving self-sufficiency and independence from external aid.	Establishing four universities, 314 schools with 1,567,059 enrolled students, and 79 vocational training centers.

No	Name of Project	Objective	Achievement
c)	Healthcare Projects	Enhancing citizenry well-being, ensuring adequate nutrition, and fostering robust healthcare infrastructure to restore individuals to engage in employment.	Building and administrating 326 clinics and eight hospitals. Implementing a total of 7,768 medical programs for the benefit of 1,800,000 individuals.
d)	Orphan Care Projects	Providing comprehensive care to orphans by addressing their educational, healthcare, vocational training, and monitoring needs to develop their societies in the future.	Sponsoring over 22,000 orphans, with hundreds of orphans' success stories who benefited their societies in different aspects and sectors.
e)	Public Benefit Projects	Providing clean water to the remote villages for humans, animals, and plants. Building mosques for prayers, gaining knowledge, and conducting events.	Building 6,303 mosques and carrying out 27,168 water projects for the benefit of 2.5 million individuals.
f)	Relief Projects	Rescuing people affected by crises and famines, etc.	Implementing thousands of relief projects that helped people in exceedingly dangerous stages.
g)	Awareness (Da'wah) Projects	Eradicating the spread of ignorance and superstitions as well as combating poverty and rejecting hatred.	Establishing 674 Qur'anic schools, 26 Shari'ah studies institutes, 1,679 Haaj sponsorships, 6,201 I'mam sponsorships, and conducting 20,355 awareness programs.

Source: Author's own

4.2.3.2 The Provided Projects for Waqf

Waqf is of the utmost importance in achieving sustainable development at all levels. Direct Aid Society therefore places great importance on Waqf by establishing a specialized administration that deals with all matters related to Waqf. Such administration manages Waqf funds, invests them, and annually allocates their proceeds to designated purposes as determined by the Waqif to ensure continuous charity during the Waqif's lifetime and after his/her death (Direct Aid, 2022). This is to achieve the

objectives of Waqf and contribute to the civil and social development of the community, as well as alleviate the burden of the needy in the most disadvantaged societies in Africa and Yemen, in accordance with the Shari'ah principles.

According to the Waqf Annual Report of Direct Aid (2022), Waqf management has set certain objectives including preserving Waqf assets and achieving an average return of 6% to 8% of the net asset value over the strategic years. Direct Aid Society has institutionalized Waqf to ensure accountability and flexibility in decision-making, continuous monitoring to achieve optimal results, building of an efficient operational management to achieve the desired returns, restructuring of the investment portfolio according to the proposed geographical and financial distribution during the strategic period, and seeking of promising investment opportunities in African countries (Waqf Annual Report of Direct Aid, 2022).

According to Direct Aid Society' Waqf annual reports (2020, 2021,2022), Waqf projects are divided into three main categories namely general waqf projects, specialized Waqf projects, and commitments waqf projects. General waqf projects entail the spending of waqf proceeds on general charitable causes. This category is further sub-divided into: a) Sadaqah Jariyah Waqf where the proceeds are spent on general charitable and righteous deeds for the poor and needy, b) Parents Obedience Waqf where the proceeds are spent on general charitable deeds for the poor and needy, and c) Sustainable Waqf where the proceeds are spent on developing Direct Aid Society' projects and programs that seek to combat ignorance, poverty, and diseases in poor communities in Africa and Yemen.

The second category is specialized waqf projects, whereby the waqf proceeds are spent on a particular charitable cause related to a certain waqf project. This category is further sub-divided into 12 waqf projects namely: a) Waqf of the Holy Qur'an for the purpose of Qur'an memorizing circles, competitions, and other religious programs. b) Educational Waqf for paying tuition fees, printing curriculum, and other educational purposes for the needy. c) Awareness Waqf projects for printing charitable projects and awareness issues. d) Waqf Stop Their Destitution (development waqf) for helping the needy by providing them with small income-generating projects. e) Waqf Aid For Her

for paying shares in microenterprises that support girls, mothers of orphans, widows, and divorced women by Qard Hasan. f) Healthcare Waqf for providing medicine and conducting medical campaigns for the needy. g) Waqf Masjid for providing maintenance and all mosque-related matters. h) Relief Waqf for rescuing those affected by crisis, famines, and natural disasters. i) Waqf Centers for providing maintenance, furnishing, and restoration of all Direct Aid Society centers. j) Water Waqf for providing water tankers, distributing water filters, and building water tanks and water pipes in remote villages. k) Drilling water wells, for drilling deep artesian wells. l) African Haaj sponsorship.

The third category is the commitments waqf projects, which entails the spending of waqf proceeds on a particular charitable cause related to a certain waqf project on an annual basis with a certain waqf cost. This category encompasses six waqf projects namely: a) Waqf Holy Qur'an Printing for printing and translating the Qur'an into many languages as well as distributing it to mosques, I'mams, and Muslim families. b) Waqf Iftar Saim for implementing Iftar Saim projects throughout the whole month of Ramadan every year. c) Adahi Waqf for sacrifice Adahi every year. d) Eye Waqf for conducting eye surgeries and eyesight checking as well as for providing medicine and glasses for the needy. e) Waqf Orphan's Sponsorship for fully sponsoring all the needs of orphans every year until they turn 18, i.e., when they are replaced by another orphan. f) Waqf I'mam's Sponsorship for fulfilling all the needs of the I'mam in order to help him in spreading the tolerant message of Islam in the poor and remote societies in Africa every year.

4.2.3.3 The Provided Projects for Zakat

Direct Aid Society spends Zakat donations on many educational, development, healthcare, relief, Daw'ah, and orphans' projects via Zakat channels that comply with the Shari'ah principles. Almost all of Direct Aid Society' projects accept Zakat, except for Awqaf and some other projects (Direct Aid, 2020). Direct Aid Society has added on its website a digital Zakat calculator to help Zakat payers calculate their Zakat and easily pay it on time (Direct Aid, 2023).

4.2.3.4 The Relationship between the Provided Projects and Good Governance Practices and FinTech

All the above-mentioned projects are governed according to the good governance guide at Direct Aid Society, particularly under the governance of the executive management, and each category of projects comes under its related division (Direct Aid, 2022). For example, the awareness projects division, relief projects division, education projects division, and orphans' projects division all come under the specialization management which in turn comes under the executive management as shown in the organizational structure of Direct Aid Society (see Figure 4.1). According to the Good Governance Guide of Direct Aid Society (2020), the executive management has several responsibilities towards the board of directors including: i) "preparing regulated policies and procedures for all activities and projects of Direct Aid Society, and proposing powers and responsibilities and approving them by the board of directors", and ii) "Managing the daily projects and operating the association's activities in coordination with the other parties to implement the projects and activities to spend the association's resources according to their channels. In addition to maximizing the return of investment, reducing the expenses and preserving developing and maintaining the association's assets". Therefore, all the provided projects are governed by the executive management in order to enhance Direct Aid Society' performance.

In terms of the relationship between the provided projects and FinTech tools, around 75% of such projects are displayed on the website-based crowdfunding platform so that donors can easily track their donation and the projects' progress through periodic reports (Direct Aid, 2021). The provided projects are also supported by different digital payment gates that make donations easier, faster, and less costly (Direct Aid, 2021).

4.2.4 Financial Performance Assessment of Direct Aid Society from 2020-2022

According to the Financial Report of Direct Aid Society (2022), the institution's entire financial activities are subject to the supervision of various governmental entities including the Ministry of Social Affairs and Labor and the Ministry of Foreign Affairs,

in addition to the external financial audit of Ernst & Young (EY), which is one of the Big Four international audit firms worldwide. Its activities also undergo continuous monitoring by the internal audit committee through the implementation of an internal control system supervised by one of the Big Ten international audit firms globally namely PricewaterhouseCoopers (*PWC*) (Financial Report of Direct Aid, 2022).

Direct Aid Society has adopted several projects to achieve financial stability including the establishment and implementation of a financial policy in addition to the development of a disclosure and transparency methodology. Direct Aid Society seeks to increase the percentage of the timely availability of its periodic asset and inventory reports to 95% by 2024 through the implementation of a comprehensive inventory project for all Direct Aid Society assets in The State of Kuwait and at its 30 offices in Africa and Yemen (Financial Report of Direct Aid, 2022). This also includes the monitoring of cash flows and the organization’s ability to continuously meet its obligations.

4.2.4.1 Total Assets of Direct Aid over the 2020-2022 Period

This specific period was chosen to examine Direct Aid Society’ total assets so as to track its financial performance during its application of good governance and to avoid any projections of a negative impact due to the application. Also, the total assets value gives a general perception of Direct Aid Society’ financial position.

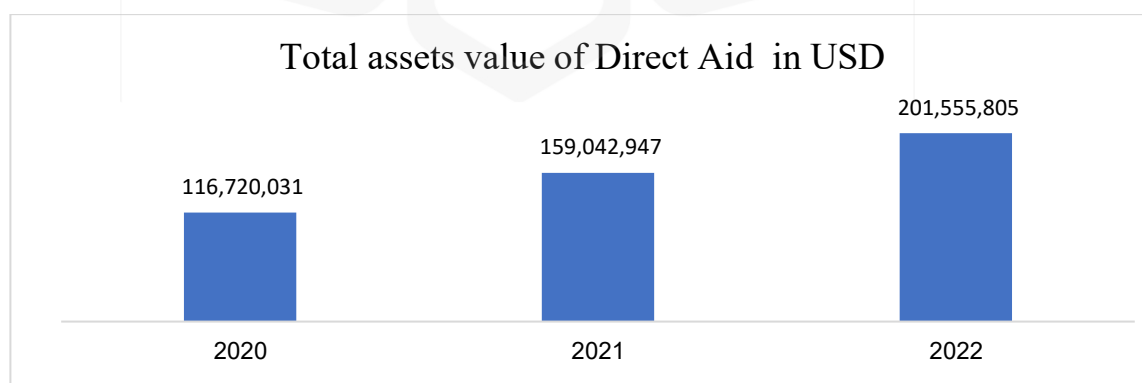


Figure 4.2 Total Assets Value of Direct Aid (2020-2022)
Source: Author’s own, collected from the financial reports of Direct Aid (2020, 2021, 2022)

Figure 4.2 shows the constant increase in the total assets value of Direct Aid Society, i.e., by 36% from 2020 to 2021, and by 27% from 2021 to 2022. This significant increase coincides with Direct Aid Society' first official application of good governance standards.

4.2.4.2 Total Donation and Revenue Value of Direct Aid over the 2020-2022 Period

The total value of donation and revenue indicates the extent of trust placed on the institution and its FinTech tools especially in The State of Kuwait where donations must be collected digitally. In other words, any donation by cash for NGOs in The State of Kuwait is prohibited according to the Ministerial Decision No. (28/A) of 2016 (Annual Report of Ministry of Social Affairs, 2016).

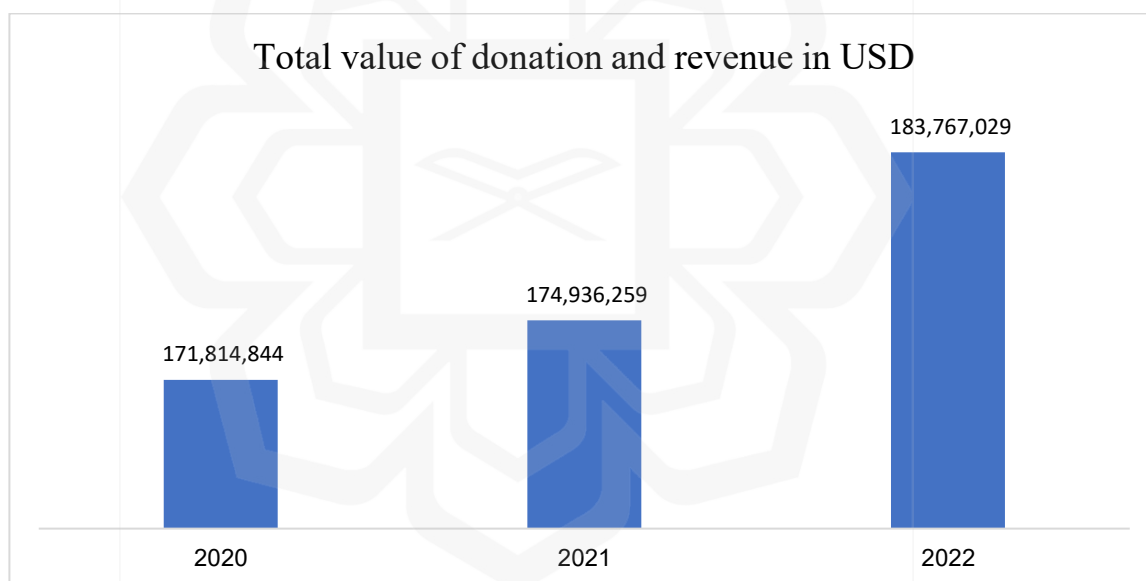


Figure 4.3 Total Assets Value of Direct Aid (2020-2022)

Source: Author's own, collected from the financial reports of Direct Aid (2020, 2021, 2022)

Figure 4.3 shows the steady increase in the total value of donations and revenue of Direct Aid Society, i.e., by 2% from 2020 to 2021, and by 5% from 2021 to 2022. This increase confirms the impact of the FinTech tools used by Direct Aid Society and the viability of its application of good governance standards.

4.3 THE APPLICATION OF GOOD GOVERNANCE BY DIRECT AID SOCIETY

Direct Aid Society officially applied the good governance standards in 2020 (Direct Aid, 2020). It is the first Islamic social finance institution that applied the good governance standards without any commitment from the official relevant authorities in The State of Kuwait. In this regard, the study elaborates on the good governance standards applied in Direct Aid Society and its performance assessment for the three-year period of 2020-2022.

4.3.1 The Applied Good Governance Standards and Their Scopes and Indicators

Direct Aid Society adopts three main standards, i.e., the compliance and commitment standard, the financial stability standard, and the transparency, disclosure, and accountability standard (Direct Aid, 2020). Each standard contains a relative weight and scope, and each scope contains its own indicators. Table 4.2 elaborates on the applied standards and their definitions, relative weights, scopes, and indicators.

Table 4.2 The Applied Good Governance Standards, Scopes, and Indicators

First Standard: Compliance and Commitment								
The relative weight of the Standard (40%)								
Standard Defi.	This standard measures the extent of the organization’s compliance and commitment to the laws, regulations, and guidelines that regulate its activities							
Standard Scopes	Principle of establishment and organizational purpose	17%	Leadership and Integrity	55%	Programs and Resource Development	13%	Oversight and awareness	15%
Main Indicators	The commitment of the organization to the controls and procedures stipulated in the statute.	10%	The ability of the organization to manage the general assembly with high efficiency and apply all provisions and controls to increase its effectiveness.	20%	Commitment of the organization to regulations when implementing programs and contracts inside or outside The State of Kuwait.	5%	Commitment of the organization to monitoring, auditing, and accountability systems.	3%
	The treasurer’s commitment to his responsibilities and powers specified in the laws and regulations.	2%	Commitment of the organization to the provisions and controls regulating the Board of Directors and increasing its effectiveness.	25%	Commitment of the organization to the systems and controls governing resource and development investment.	5%	Commitment of the organization at all administrative levels to combat crimes of terrorism and its financing, and money laundering.	5%

	Commitment of the organization to establish its branches and offices in accordance with what is determined by the rules and regulations.	5%	Commitment of the organization to prepare the required periodic reports according to the controls that form and organize the work of the permanent and temporary committees.	10%	Commitment of the organization to rationalize resource collection activities and spending.	3%	Commitment of the organization at all administrative levels towards professional and ethical behavior as well as protecting stakeholders' rights.	2%
							Commitment of the organization to the systems and controls governing documents and records.	5%
Second Standard: Financial Stability								
The relative weight of the Standard (40%)								
Standard Definition	This standard measures the financial performance of the organization by evaluating its efficiency, ability, and financial sustainability, as well as the efficiency of its financial regulation.							
Standard Scopes	Financial Performance			50%	Financial Regulation			50%
Main Indicators	The proportion of program and activities expenses.			22.5%	Commitment of the organization to prepare and activate the financial policies.			17.5%
	The proportion of administrative expenses.			10%	Commitment of the organization to prepare its organizational structure and determine its financial capabilities and competencies.			12.5%

	The ability to cover future financial obligations.	7.5%	Commitment of the organization to the regulations and controls regulating its financial and accounting procedures.	10%
	The proportion of fundraising and donations expenses.	5%	Commitment of the organization to the regulations and controls governing records and documents.	5%
	The proportion of financial sustainability from Waqf and investments.	5%	Commitment of the organization to prepare the required periodic reports and submit them to the relative Ministry within the specified periods.	5%
Third Standard: Transparency, Disclosure and Accountability				
The relative weight of the Standard (20%)				
Standard Definition	This standard measures the extent to which the organization is willing to publish information about its reasons for existence and its implemented activities and financial statements as well as explaining its operations to the stakeholders.			
Standard Scopes	Publishing and Disclosure	65%	Evaluation and Accountability	35%
Main Indicators	Publishing the authenticated systems, regulations, and policies and make them available to the stakeholders.	25%	Preparing and publishing the audited financial statements and getting approval from the Board of Directors.	15%
	Disclosing the information of the responsible people at the organization and publishing the information about the organization, its branches, and its offices.	25%	Preparing and publishing the comprehensive model approved by the Board of Directors, consistent with the reality of the organization.	10%
	Publishing the organizations' objectives and reports of the implemented programs and activities at all its branches and offices.	15%	Evaluating and improving performance and obtaining feedback from stakeholders.	10%

Source: Author's own (collected from several official documents at Direct Aid Society)

It is worth mentioning that every indicator in the above-mentioned standards contains a group of questions to measure the good governance standards' performance. The first standard has 154 questions to reflect the standard's performance, the second standard has 67 questions, and the third standard has 48 questions. In the following section, the study elaborates on the performance assessment of the good governance standards applied by Direct Aid Society over the period from 2020 to 2022. This is for the purpose of tracking the results of the good governance standards application.

4.3.2 Performance Assessment of the Applied Good Governance Standards

The assessment of the good governance standards' application by Direct Aid Society was conducted by an independent committee consisting of one member from the general assembly, one member from the board of directors, one member from the Ministry of Social Affairs, and an external governance expert. The results of the good governance standards assessment over the last three years (2020-2022) have increased positively and gradually as shown by the following figures.

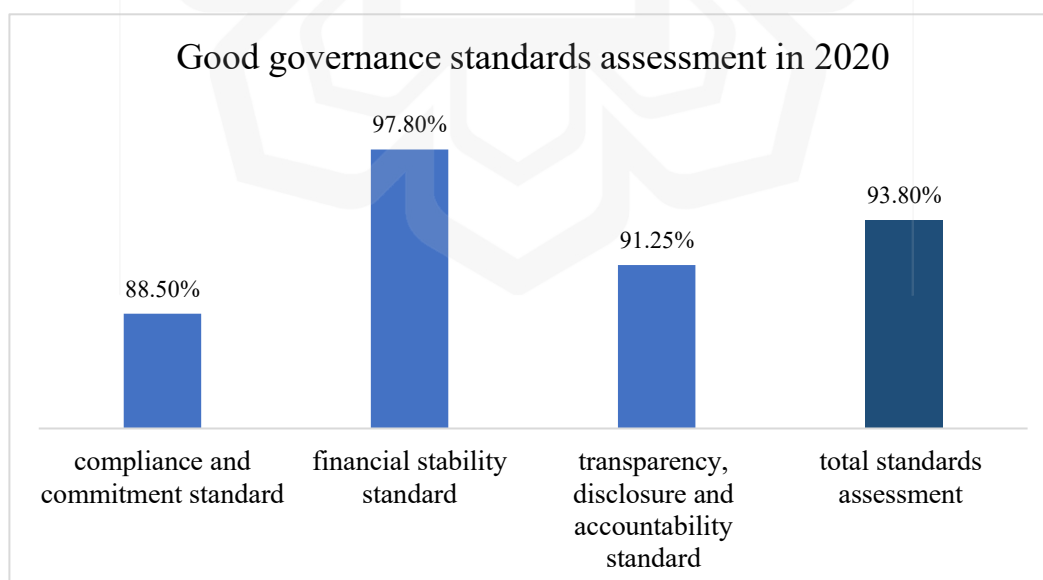


Figure 4.4 Good Governance Standards Assessment in 2020
Source: Adapted from the Annual Report of Direct Aid Society (2020)

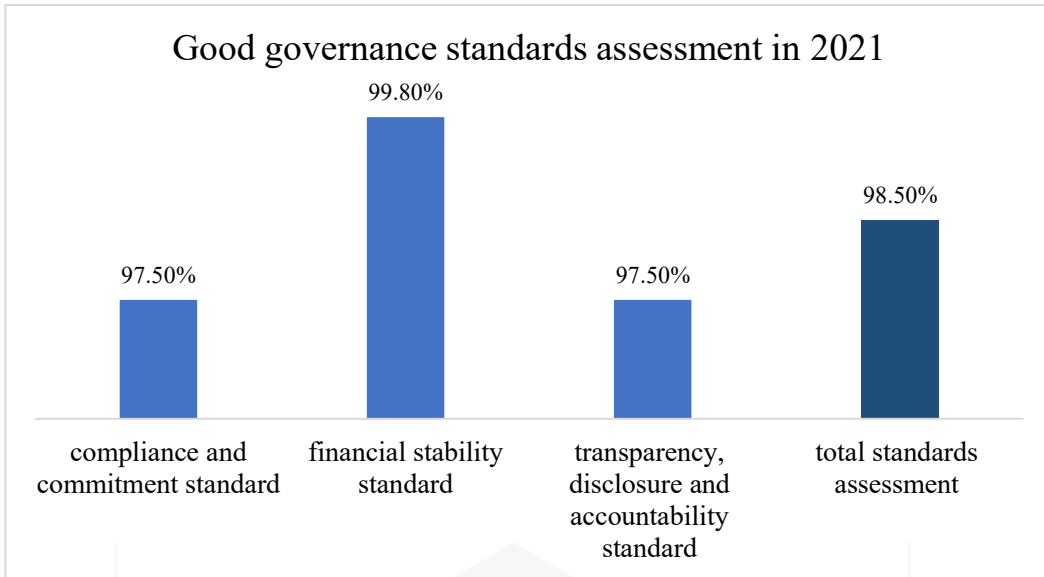


Figure 4.5 Good Governance Standards Assessment in 2021
 Source: Adapted from the Annual Report of Direct Aid Society (2021)

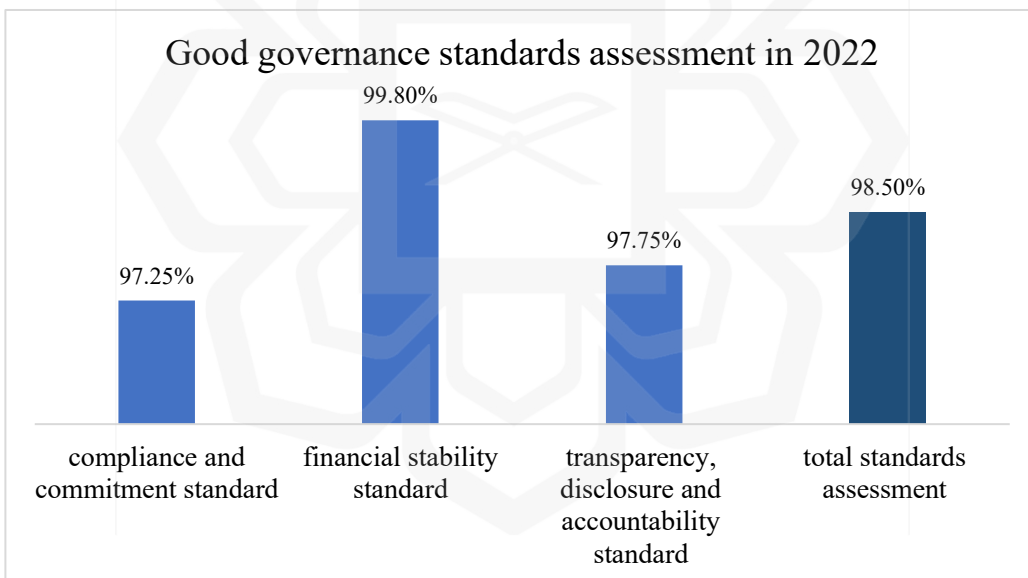


Figure 4.6 Good Governance Standards Assessment in 2022
 Source: Adapted from the Annual Report of Direct Aid Society (2022)

The results of the good governance standards assessment as shown in the three figures above reflect a gradual increase for each standard as well as the total standards assessment from 2020 to 2021. However, the results of the assessment remain the same from 2021 to 2022. When Direct Aid Society started to practice good governance in the

beginning of 2020, it appointed governance experts to ensure the qualification of its employees in applying good governance standards professionally. This helped the institution to achieve an advanced result of good governance assessment in the first year of application. It also helped improve the institution's achievement from 93.8% in the first year (2020) to 98.5 in the second year (2021).

From the viewpoint of the researcher as an employee at Direct Aid Society, the appointment of governance experts was not the only reason for this positive result. The organization's extensive experience in implementing FinTech tools since 2011 has also contributed to the positive results. This is apparent in the second (financial stability and transparency) and third (disclosure and accountability) standard assessments which require the usage of certain FinTech tools. This will be further discussed in the last part of this chapter. In the following section, the study illustrates the applied FinTech tools that may impact the practice of good governance in Direct Aid Society.

4.4 THE FINTECH TOOLS APPLIED BY DIRECT AID SOCIETY

The use of FinTech tools can enhance donors' experiences by increasing the level of transparency, on top of cutting costs and eliminating the need for middlemen (Lee & Shin, 2018; Zavolokina et al., 2016). Direct Aid Society adopts many FinTech tools, primarily the crowdfunding system and digital payments (see Table 4.3). Its website-based crowdfunding established in 2011 was among the first of its kind in the social finance sector in The State of Kuwait. The platform attained first place in The State of Kuwait Best Website Award in 2012. Direct Aid Society' mobile app was also the first of its kind established in the social finance sector in The State of Kuwait in 2013, as well as its e-wallet which was established in 2019 (Direct Aid, 2023). This indicates that Direct Aid Society has extensive experience in using FinTech tools. According to the manager of the marketing division, Direct Aid Society receives more than 75% of its donations through the crowdfunding platform and its digital payment methods.

Table 4.3 The FinTech tools applied by Direct Aid Society

FinTech tool	FinTech tool model	Practice of FinTech tool
Crowdfunding System	Donation-based Crowdfunding	The crowdfunding system helps donors track their donation.
		It reduces the cost of donation by eliminating the need to visit branches and for middle people.
		It increases the amount of donations as the platform receives donations from anywhere around the world.
		The website-based crowdfunding also works as an official platform for enhancing the transparency of Direct Aid Society through visible donation progress and the publishing of all reports.
Digital Payment	Several advanced local and international payment gates, e.g., Apple Pay, Visa, MasterCard, K-net, etc.	Diversification of the payment gates to meet donors' preferred payment method, so as to increase donations and ease the supervision of donation processing.
	Mobile application	Direct Aid Society adopts a user-friendly mobile application to ease donation access and to aid donor communication via the app notifications.
	E-wallet	Direct Aid Society adopts e-wallet to ease, accelerate, and reduce the cost of donations.

Source: Author's own (collected from several official documents at Direct Aid Society)

As shown in Table 4.3, the two FinTech tools used by Direct Aid Society have clearly enhanced the aspects of transparency and trust whilst reducing the cost of donations. This is in line with the purpose of practicing good governance standards, i.e., to enhance transparency and trust, to improve administrative and financial performance, and hence to boost stakeholder protection (Alsalamat, 2018; Wahyuni-td, Haron, Fernando, 2020). In the following section, the study examines the aspects of FinTech usage and good governance application in Direct Aid Society so as to determine the relationship between both in the context of the case study.

4.5 THE IMPACT OF USING FINTECH TOOLS ON THE PRACTICE OF GOOD GOVERNANCE IN THE CONTEXT OF THE CASE STUDY

From the viewpoint of the researcher as an employee of Direct Aid Society, there are many common points between the usage of FinTech tools and the practice of good governance in Direct Aid Society. This relationship is obvious in certain indicators of good governance practice as shown in Table 4.4. Here, the researcher attempts to unveil the real potential relationship between good governance and the usage of FinTech tools.

Table 4.4 The Relationship Between the Usage of Fintech Tools and the Applied Good Governance Indicators

FinTech Tool	FinTech Tool Model	Usage of FinTech Tool	Relationship to the Good Governance Indicators
Crowdfunding System	Donation-based Crowdfunding	The crowdfunding system helps donors track their donation.	Evaluating and improving performance and obtaining feedback from stakeholders.
		It reduces the cost of donation by reducing the need to visit branches and for middle people.	Reducing expenses related to fundraising and donations. Reducing administrative expenses.
		It increases the amount of donations as the platform receives donations from around the world.	Improving the financial sustainability of Waqf and investments. Improving the ability to cover future financial obligations.
		The website-based crowdfunding also works as an official platform for enhancing the transparency of Direct Aid Society.	Publishing the authenticated systems, regulations, and policies, and making them available to the stakeholders. Publishing the organizations' objectives and reports of the implemented programs and activities at all its branches and offices. Preparing and publishing the audited financial statements and getting them approved by the Board of Directors.

FinTech Tool	FinTech Tool Model	Usage of FinTech Tool	Relationship to the Good Governance Indicators
Digital Payment	Several advanced local and international payment gates, e.g., Apple Pay, Visa, MasterCard, K-net, etc.	Diversifying the payment gates to meet the donors' preferred payment method, so that it helps in increasing donations.	Improving the ability to cover future financial obligations.
	Mobile application	Direct Aid Society adopts a user-friendly mobile application to ease the donation access and to aid donor communication via the app notifications.	Evaluating and improving performance and obtaining feedback from stakeholders.
	E-wallet	Direct Aid Society adopts e-wallet to ease, accelerate, and reduce the cost of donations.	Reducing fundraising and donations expenses. Reducing administrative expense.

Source: Author's own (collected from several official documents at Direct Aid Society)

In Table 4.4, the focus is on the good governance indicators that are impacted the most by Direct Aid Society' usage of FinTech tools. The researcher highlighted 8 indicators out of the total 29 indicators mentioned previously in Table 4.2. These 8 indicators come under the second (financial stability) and third (transparency, disclosure, and accountability) governance standards. Specifically, 4 come under the second standard and the other under the third standard. This means that only 27% of the good governance indicators (i.e., eight out of 29) are significantly impacted by the usage of FinTech tools in the context of Direct Aid Society, as observed from the viewpoint of the researcher. In the following chapter, more accurate insights and perceptions of this relationship will be derived from the viewpoint of the interviewees.

4.6 CHAPTER SUMMARY

The chapter presented a historical overview of Direct Aid Society, along with a brief description of its administrative structure and the relationship between its good governance practices and FinTech tools usage. The chapter also briefly discussed the projects provided by Direct Aid Society and their relationship to good governance and FinTech. In short, the chapter showed how each project is governed by the executive management in the effort to improve Direct Aid Society' performance. About 75% of the provided projects are displayed on the website-based crowdfunding platform and served by different digital payment gates which make the donation process easier, faster, and less costly.

Besides that, this chapter also illustrated the increase in Direct Aid Society' total value of assets, donations, and revenues from 2020 to 2022, with 2020 being the year when Direct Aid Society started implementing the good governance practices. This may be an indication of the positive effect of good governance on Direct Aid Society' financial performance. At the same time, the performance assessment of the applied good governance standards in Direct Aid Society for the same period (2020-2022) also witnessed a notable increase. Additionally, the chapter discussed the positive effect of FinTech tools usage on Direct Aid Society' financial stability, transparency, and stakeholder trust, with a specific focus on the crowdfunding and digital payment tools.

Eight out of the 29 indicators of good governance were found to be significantly impacted by the FinTech tools of crowdfunding and digital payment, as perceived from the researcher's standpoint. The next chapter will examine the same relationship from the standpoint of the interviewees.



CHAPTER FIVE

DATA ANALYSIS AND FINDINGS

5.1 INTRODUCTION

This chapter analyzes and discusses the data collected from the in-depth interviews to explore the relationship between FinTech tools usage and good governance practices at Islamic social finance institutions in general and Direct Aid Society in particular. This chapter intends to answer research questions one, two, three, and four. The chapter is divided into five sections, each discussing one main theme of the data collected. The first section analyzes and discusses the data on good governance. The second section discusses the data on FinTech tools usage, specifically crowdfunding and digital payments. The third sections elaborate and discusses the issues and challenges in applying good governance in Islamic social finance institutions and Direct Aid Society. The fourth section focuses on the impact of FinTech tools usage on the practice of good governance in Islamic social finance institutions and Direct Aid Society. The final section elaborates the related findings of each main theme and research objective. Figure 5.1 below shows all the main themes and sub-themes used for answering the research questions and for achieving the research objectives.

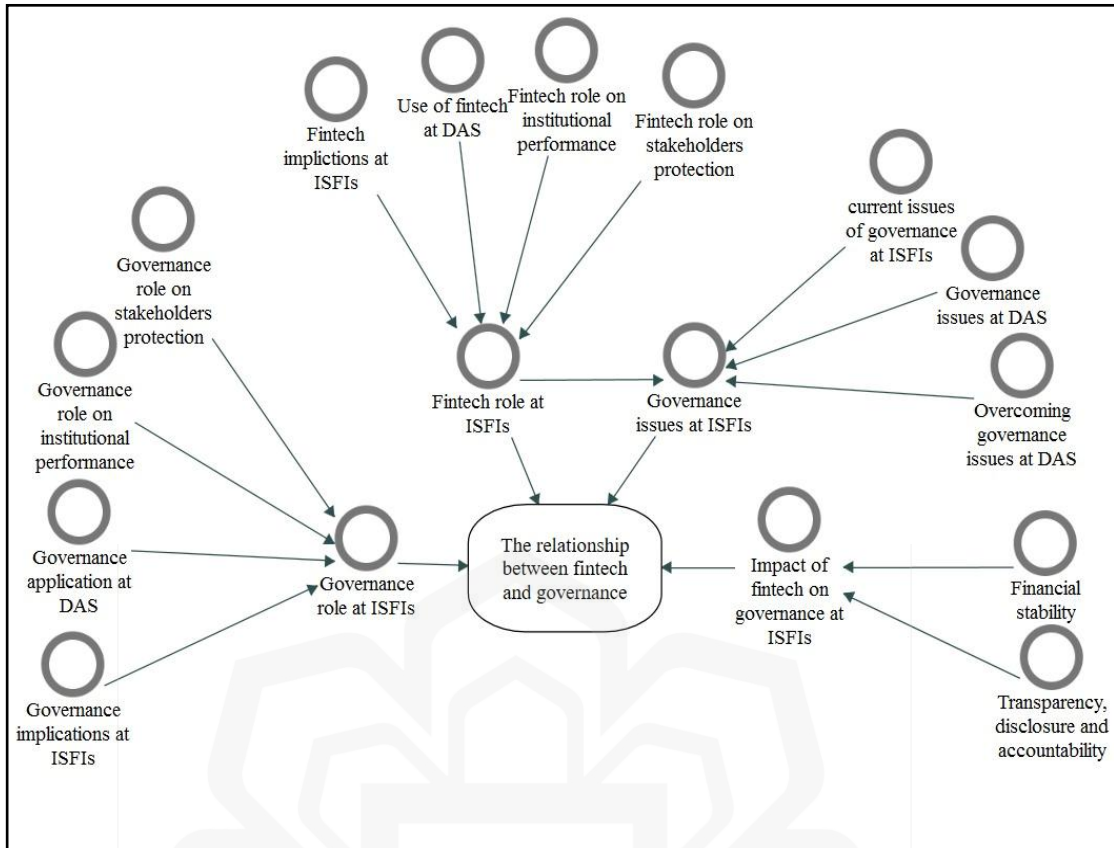


Figure 5.1 Main Themes and Sub-Themes of the Impact of FinTech Usage on Good Governance Practices at Islamic social finance institutions (ISFIs)
 Source: Output of NVivo 14 generated from interviews (2024).

5.2 ROLE OF GOOD GOVERNANCE IN ISLAMIC SOCIAL FINANCE INSTITUTIONS

This theme addresses the first research objective of this research, i.e., to examine the role of good governance in Islamic social finance institutions in general and in Direct Aid Society (DAS) as the case study in particular. This theme covers the implications of applying good governance standards on the institutional performance of Direct Aid Society. Lastly, it discusses how the application of good governance affects stakeholder protection. This theme was formed based on the answers given by the respondents. It was further grouped into sub-themes as shown below and in Figure 5.2:

- 1- Implications of practicing good governance in Islamic social finance institutions.

- 2- The application of good governance in Direct Aid Society.
- 3- Role of governance on the institutional performance of Direct Aid Society.
- 4- Role of governance on stakeholder protection in Direct Aid Society.

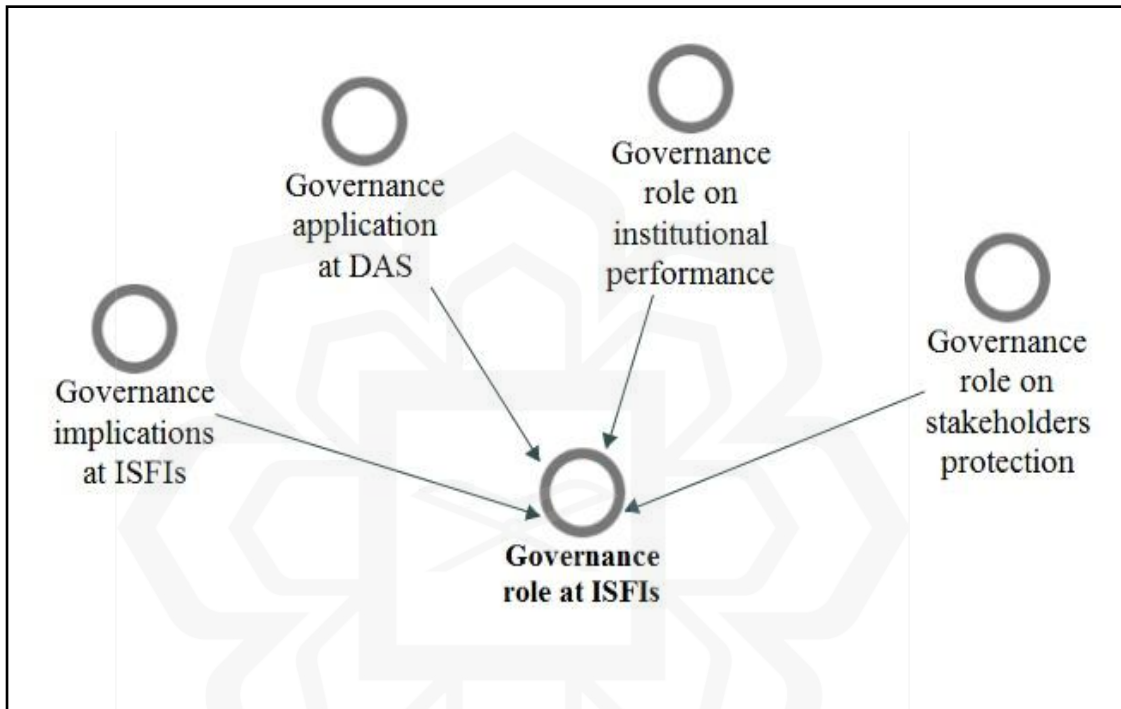


Figure 5.2 Model of the Role of Governance in Islamic Social Finance Institutions
 Source: Output of NVivo 14 generated from the interviews (2024)

5.2.1 Implications of Practicing Good Governance in Islamic Social Finance Institutions

In terms of the implications or benefits of practicing good governance standards in Islamic social finance institutions, the respondents mentioned that practicing good governance is a part of the teachings of Islam. Figure 5.3 below shows the responses regarding the benefits and implications of practicing good governance in Islamic social finance institutions.

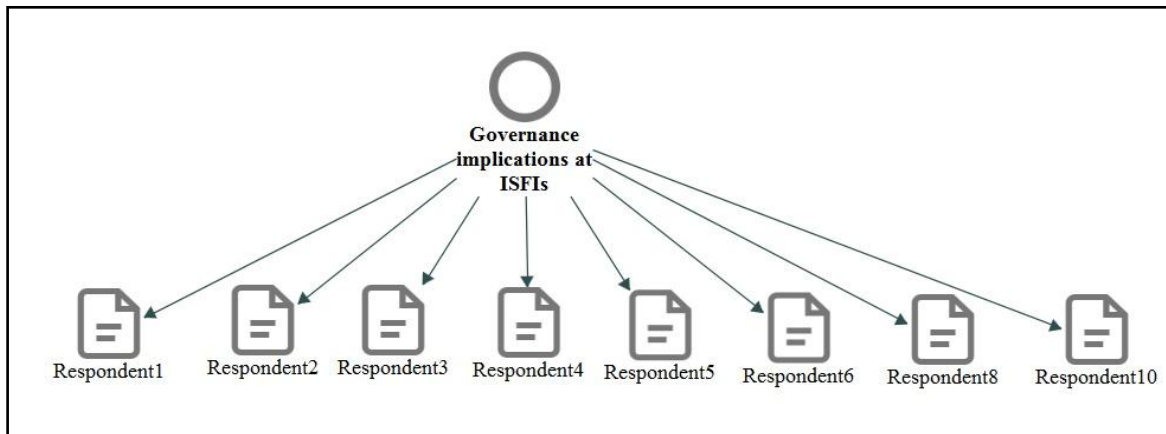


Figure 5.3 Model of Governance Implications in Islamic Social Finance Institutions
Source: Output of NVivo 14 generated from the interviews (2024)

One of the respondents linked the practice of good governance with Direct Aid Society’ main value of *IHSAN*:

“*IHSAN* is the highest level of worshipping Allah, and why I mentioned *IHSAN* when I talk about good governance adoption; because achieving *IHSAN* starts with being the best of yourself in order to get the best of Allah’s reward.” (Respondent 1)

The same respondent mentioned a part of the famous Hadith that stipulates a dialog between Prophet Muhammad (PBUH) and the Angel Gabriel regarding the meaning of *IHSAN*. The Messenger (PBUH) said that it means: “To worship Allah as if you see Him, and if you cannot achieve this state of devotion then you must consider that He is looking at you” (Sahih Al-Bukhari-50). The respondent said that this Hadith applies to outward and esoteric actions. Therefore, any practice of governance is considered *IHSAN*, which is highly encouraged in Islam (Respondent 1). Besides that, practicing good governance has two main benefits. The first is related to the aspect of worship (*IBADAH*), i.e., entailing the protection of property (*mal*) and the efficient delivery of the donation to its beneficiaries (Respondent 1). The second benefit is related to the prevention of administrative corruption and mitigation of conflicts of interest (Respondent 1).

Similarly, Respondent 2 also mentioned that the practice of good governance is a part of worship, and that the Holy Qur’an is a governance system for mankind on

earth. According to the respondent, governance is needed for everything, particularly institutions that are related to Islam:

“In my point of view, any Islamic project or institution must practice the highest level of governance, and the highest level of governance is the ethics (AKHLAAQ) which is basically honesty and integrity. Moreover, in my opinion, the Islamic social finance sector is most required to practice good governance more than any other sectors, such as private and governmental sectors. This is because anything related to Islam is extremely important, and Allah said, ‘Greatly hateful in the sight of Allāh is that you say what you do not do’ (Surah As-Saff-2). The Prophet (PBUH) also said, "Keep away from the seven fatalities". He was asked: "What are they, O Messenger of Allah?" He mentioned, one of them, is devouring the property of an orphan (Riyad as-Salihin-1614). Therefore, any corruption or abuse will not only harm the institution, but also Islam.” (Respondent 2)

Respondents 3 and 4 mentioned that practicing good governance in Islamic social finance institutions can enhance trust and eliminate corruption. This is because Islamic social finance institutions depend largely on the culture of donors’ giving. In this regard, any processes or actions aimed at enhancing trust such as auditing or controlling would help in acquiring the donors’ trust (Respondent 3). In addition, it would enhance stakeholders’ interests whether they are beneficiaries, donors, authorities, or general assembly members apart from positively affecting the reputation of the Islamic social finance institutions (Respondents 4 and 10). Respondents 5, 6, and 8 elaborated that the practice of good governance in Islamic social finance institutions increases the level of transparency and disclosure of periodic reports (administrative, financial, and others). It also facilitates the establishment of policies on conflicts of interest. Respondent 8, being a governor, confirmed that the practices of good governance in Islamic social finance institutions in The State of Kuwait facilitate supervision and auditing:

“The tracking system at the Ministry of Affairs has an auto quarterly reminder to all charity institutions in The State of Kuwait to send their reports to the ministry. After receiving such reports, we can make field visits to the charity institutions and compare the received reports with their actual works and documents which make the overseeing and auditing of activities much easier and more accurate.” (Respondent 8).

Respondent 10 highlighted the importance of the charter and by-laws of Islamic social finance institutions. He mentioned that the commitment of such charter is considered the first step towards the application of a good governance system. In addition, the formation of a board of directors by election in the general assembly is an important initial stage towards implementing a good governance system in Islamic social finance institutions. This is because The State of Kuwait does not commit Islamic social finance institutions to implement good governance practices. Hence, any Islamic social finance institutions in The State of Kuwait that are committed to their charter are actually already applying good governance practices (Respondent 10). Some of the respondents agreed with Respondent 10, especially regarding the initial stages of good governance application in Direct Aid Society, as mentioned in the following analysis of the second sub-theme.

5.2.2 The Application of Good Governance in Direct Aid Society

The adoption of good governance standards in Direct Aid Society has elevated since the governance guide and the first performance measurement of good governance application were issued in 2020. In the following years, the application of good governance has developed several times to meet the new regulations in The State of Kuwait and to improve the adoption of governance standards. Figure 5.4 below shows the responses regarding the application of good governance in Direct Aid Society.

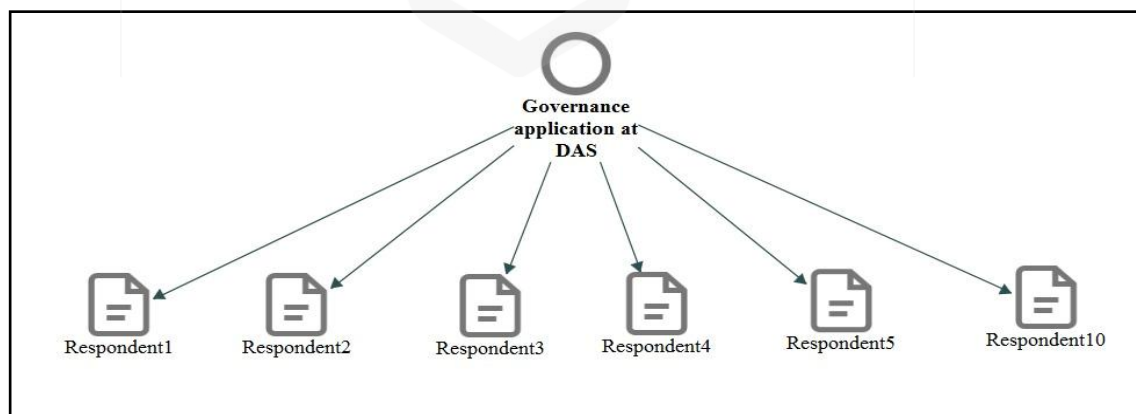


Figure 5.4 Model of Governance Application in Direct Aid Society
Source: Output of NVivo 14 generated from the interviews (2024)

Respondents 1, 2, and 4 elaborated that the adoption of good governance in Direct Aid Society started long before the institution embarked on establishing the first governance guide in 2020. Respondents 1 stated that Direct Aid Society' good governance adoption started when the institution transformed individual actions into the first institutional work in 1987. This was when the institution established the first electronic system to manage its donations and started working on media for documenting all the activities and sending them to donors for the purpose of transparency (Respondent 1). Another respondent believes that the beginning of good governance in Direct Aid Society was when the first board of directors was formed, as the board of directors must provide audited reports to the supervisory bodies which is a part of good governance practices (Respondent 4). Meanwhile, Respondent 2 believes that the good governance practices in Direct Aid Society started with the issuance of its charter and by-laws. Also considered part of good governance practices are the completion of Direct Aid Society' representative offices in 40 African countries in the 1990s in order to be closer to the beneficiaries and protect their interests, as well as the establishment of a clear organizational structure for its branches and headquarter in The State of Kuwait (Respondent 1). All Direct Aid Society branches in Africa are supervised by the governments in their countries to the extent that every branch must provide a periodic report to the government (Respondent 4). In the mid-1990s, Direct Aid Society began developing its internal audit and quality systems in addition to its authority matrix and the separation of powers between the board of directors' chairman and the executive manager, as well as establishing its specialized board of director committees (Respondent 1).

Meanwhile, Respondents 3, 5, and 10 explained that Direct Aid Society first adopted good governance in 2018 when the board of directors decided to establish a governance guide. In this regard, Direct Aid Society scrutinized the good governance standards of the non-for-profit sector of the Kingdom of Saudi Arabia and other regimes such Malaysia and the United Kingdom, while taking into consideration the related legislation in The State of Kuwait (Respondent 1). In 2018, Direct Aid Society began to fulfill the requirements of institutional excellence as set by the European Foundation for Quality Management, of which most are related to the practice of good governance.

Hence, European Foundation for Quality Management was very supportive of Direct Aid Society in building a governance system (Respondents 1, 2, and 10).

Many of the regulations, guidelines, and initiatives in The State of Kuwait are considered a robust basis for building a governance system in Islamic social finance institutions. Among them are regulations related to money laundering, electronic payments for donations, and the e-portal for humanitarian work (Respondent 10). Direct Aid Society was inspired early to adopt a good governance system due to the governance motivations mentioned by Respondent 10:

“For example, skeptical attacks towards the third sector in The State of Kuwait, European Foundation for Quality Management requirements and increasing online donations, all such causes made the necessity of publishing the administrative and financial reports in order to mitigate the reputation risk and strengthen Direct Aid Society’s institutional and financial performance.”

All the respondents confirmed that in 2020, Direct Aid Society drafted the first governance guide which was approved by the board of directors. In the same year, the board of directors formed a governance committee consisting of seven members including a member from the board of directors, two managers from the executive management, three governance experts, and the executive manager to follow up the application of good governance standards (Respondents 3 and 5). By the end of 2020, the first governance measurement results were issued in the annual report of Direct Aid Society (all respondents). In this regard, the governance measurement in Direct Aid Society was developed by asking 296 questions to its management, divisions, and offices, and of which answers were evaluated at 0, 50, or 100 degrees, and some others between 0 or 100 (Respondent 5). The first year of assessment derived a result of 81%, whilst in the second and third year it was 98% each (Respondent 5).

Respondent 10 concluded that Direct Aid Society gradually applied good governance practices at its headquarters in The State of Kuwait and some in its branches in Africa.

5.2.3 Effect of Governance on Direct Aid Society’ Institutional Performance

The adoption of good governance in Direct Aid Society has affected its institutional performance positively, where it obtained a 3-star excellence rating from the European Foundation for Quality Management after only one year of adoption (Respondent 10). Figure 5.5 shows the responses regarding the impact of governance on Direct Aid Society’ institutional performance.

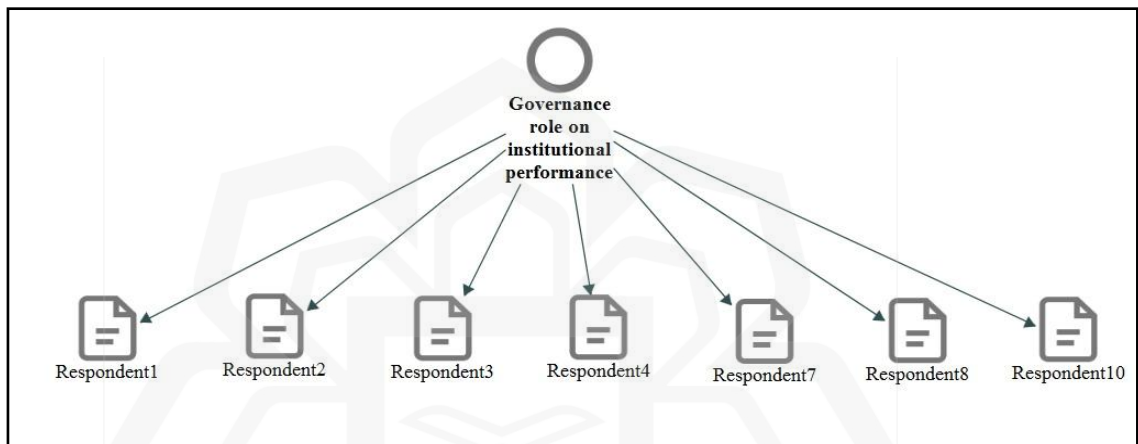


Figure 5.5 Model of Governance’s Role on Direct Aid Society’ Institutional Performance

Source: Output of NVivo 14 generated from the interviews (2024)

Respondent 1 highlighted that the adoption of good governance had significantly facilitated the establishment of the regulations, procedural guides, charters, and policies for most of the units and divisions in Direct Aid Society. It also helped in connecting the management with the divisions effectively, which in turn enhanced Direct Aid Society’ institutional performance.

Besides that, the adoption of good governance had also encouraged Direct Aid Society to appoint skillful executive leaders and acquire the services of Big Four audit firms (Respondent 2).

“For example, Direct Aid Society appointed a new skillful CFO 2 years ago as well as appointed Ernst & Young as an audit firm. And very recent, Direct Aid Society has appointed PWC firm for assuring the internal audit

activities and for the purpose of enhancing the administrative and financial activities.” (Respondent 2)

According to Respondents 1, 7, and 10, individual decision-making – especially those related to the usage of money and strategic decisions – is significantly reduced with the application of good governance practices (Respondent 1). This is because good governance requires data-driven and reasonable decisions made by specialized committees or via teamwork. Consequently, individual opinions and mistakes have been greatly reduced (Respondent 7). In the same vein, Respondent 10 said:

“Among many benefits of governance application are eliminating or reducing fraud, individual decision-making and misuse of power to achieve the best value for the beneficiaries.” (Respondent 10)

Moreover, the application of good governance confirms the existence of a matrix of powers and responsibilities, i.e., the separation of power between the board of directors and the executive management (Respondents 1 and 3). For example, the board of directors cannot take any executive actions; the executive management cannot take any supervisory actions; and strategic and fateful decisions cannot be made by the executive management (Respondent 1). In this regard, Respondent 1 mentioned that:

“Before the adoption of good governance, the executive manager would take an individual decision, but now after the application of governance there is a power and responsibilities matrix. And any manager can refuse or disagree with my decision if against any regulations at the institution, and they ask me to get an exception first from the board of directors to implement the executive manager’s decision.” (Respondents 1)

The application of good governance also stipulates that every unit or management has to have its own powers and responsibilities matrix, as stated by Respondent 3:

“The importance of forming powers and responsibilities matrix is because the charter and by-laws at Islamic social finance institutions in The State of Kuwait is general and has no details pertaining to the responsibilities and powers of each management and division at the institutions.” (Respondent 3)

One of the benefits of forming a power and responsibilities matrix is that in the occasion that an employee, manager, executive manager, or even the chairman wants to leave the institution, its performance will not be negatively affected (Respondent 1).

In different aspects, Respondents 3, 4, 5, 7, and 10 mentioned that the adoption of good governance improves the accuracy and ease of the internal audit system and renders documentation processing to be more systematic. In this regard, Respondent 2 highlighted the significance of the audit committee in the application of good governance. This committee reports directly to the board of directors regarding the activities of the internal audit management (Respondent 6).

Consequently, Respondents 2, 3, 4, 7, and 8 confirmed that good governance practices, especially those that enhance institutional performance, would increase the level of trust in Islamic social finance institutions. In this regard, Respondents 2 and 3 said:

“The main goal of applying good governance is immersing the trust in the institution, because it is related to the fundraising action.”
(Respondent 3)

“Me as a donor, I consider the organization that has a higher degree of practicing good governance, I give it my priority to donate to.”
(Respondent 2)

Respondent 10 explained that the application of good governance ensures a safe and stable administration process and financial management in Islamic social finance institutions. In short, it ensures that donations are channeled directly to the proper beneficiaries. Good governance also helps in maintaining quality donors and boosting their trust, on top of increasing the institution’s growth (Respondent 10). Indeed, the practice of good governance not only positively affects the beneficiaries, but also all the stakeholders in general as discussed in the following sub-theme analysis.

5.2.4 Impact of Governance on Stakeholder Protection in Direct Aid Society

Figure 5.6 below shows the responses regarding the impact of governance on stakeholder protection in Direct Aid Society. This sub-theme focuses on how the practice of good governance impacts Direct Aid Society' stakeholders including donors, beneficiaries, regulators, employees, and the board of directors. Good governance has a significant impact on the protection of stakeholders in Direct Aid Society as donors generally do not contact the beneficiaries. Therefore, the rights of donors and beneficiaries must be truly protected by the practices of good governance (Respondents 4 and 10).

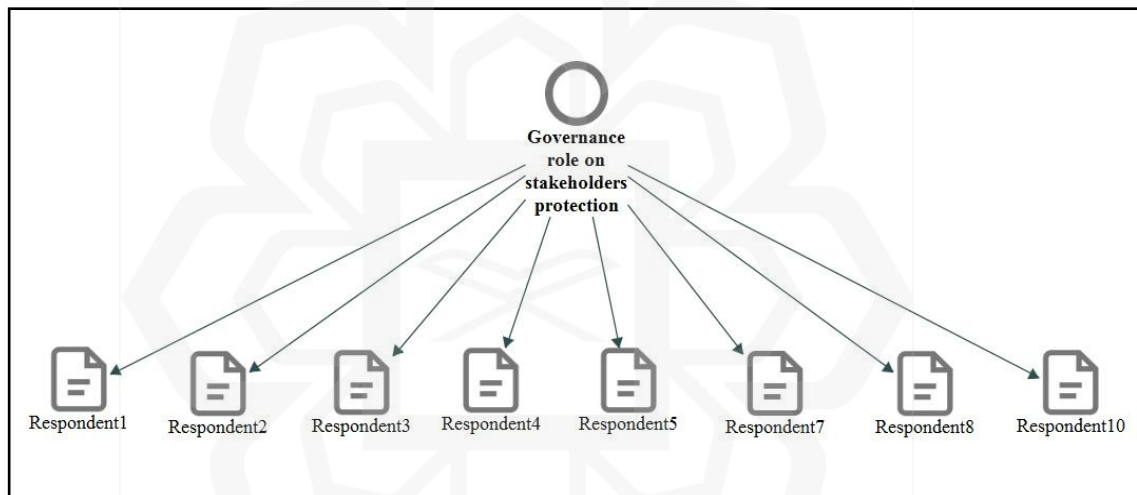


Figure 5.6 Model of the Impact of Governance on Stakeholder Protection in Direct Aid Society.

Source: Output of NVivo 14 generated from the interviews (2024)

In this regard, Respondent 4 explained that in Direct Aid Society, the donors are allowed to track their donations via the donation meter on Direct Aid Society' website. They will receive a receipt once their donation is completed, as well as detailed reports of their project's execution. Donors can also easily browse Direct Aid Society' website to see the published reports (financial, administration, and others) which address the indicators under the third governance standard of transparency, disclosure, and accountability (Respondents 4, 7, and 10). Respondents 7 and 10 said:

“Donors’ rights at Direct Aid Society are clear, even the least amount of donation on our website with 100 fils which equals 33 cent USD is recorded and documented, and donor receives a receipt for it. And whenever any donor wants to return their money back, they can do so easily, as well as they can easily review any information related to their donation at any time through Direct Aid Society’s website, or they can contact the call center.” (Respondent 7)

“Moreover, donors’ rights are protected because of the conducted quality actions, projects maintenance and sustainability process to fulfill some governance indicators at Direct Aid Society.” (Respondent 10)

Regarding the beneficiaries, Respondents 4, 7, and 10 said that the beneficiaries are usually involved in the evaluation of almost every project and activity, i.e., by filling up surveys and feedback assessments to measure their satisfaction with Direct Aid Society’ projects as part of the governance requirements. This in return affects positively designing the next projects and increase the quality of the provided projects and therefore protect the beneficiaries’ rights (Respondents 4, 7 and 10). Respondents 7 and 10 said:

“The conducted feasibility studies before each project and the documentation of projects’ execution as well as measuring the social impact before and after are protected the beneficiaries.” (Respondent 7)

“In other words, governance guarantees for the beneficiaries to get the most possible benefit of the provided projects at Direct Aid Society.” (Respondent 10)

Regarding the protection of suppliers and partners, Respondents 1, 5, 7, and 10 said that the application of good governance in Direct Aid Society has significantly affected work tendering. Although randomly selected based on certain criteria, following the adoption of governance, all work tenders are publicly announced for bidding; the bids are handed over in closed envelopes and later opened transparently in a pre-arranged appointment (Respondents 1 and 5). Such transparent governance actions increase the level of trust towards Direct Aid Society. In addition, all contracts with suppliers and partners are documented and reviewed from the Shari’ah and legal

perspective to protect their rights and raise the level of transparency and trust (Respondent 7).

In terms of employee protection, Respondents 1 and 7 confirmed that the practice of good governance had enhanced the rights of Direct Aid Society employees. All Direct Aid Society employees have clear tasks and responsibilities, on top of KPIs that every employee can access. All regulations related to employees are published and are accessible on an internal platform, thus ensuring that all internal stakeholders are truly protected (Respondent 1). In this regard, Respondent 7 said that the practice of good governance in Direct Aid Society has maintained its employees' rights in terms of the documentation process of their work. Consequently, the employees' performance level, volume of tasks, and quality of work are assured because good governance requires the measurement of employee performance and the creation of a historical work record for each employee (Respondent 7).

Respondents 1, 8, and 10 said that one of the good governance actions taken by Direct Aid Society entails sending periodic reports to the supervisory authorities. Respondent 1 said:

“Direct Aid Society sends administrative and financial reports quarterly to the government in The State of Kuwait and each government in all 31 country Direct Aid Society works at, whether they request them or not, we send them quarterly.” (Respondent 1)

The commitment of Direct Aid Society to receive donations only via digital channels helps ease and ensure the accuracy of the supervision process by The State of Kuwaiti government, hence protecting the rights of the supervisory body (Respondent 8). In addition, the adoption of digitalization by the many charity institutions in The State of Kuwait, including Direct Aid Society, has eased the handling of more than 3000 administrative and financial reports (Respondent 8).

Meanwhile, according to Respondents 3 and 4, the application of good governance in Direct Aid Society has activated the complaints and reporting system which in turn enhances the institution's stakeholder engagement and protection. In this regard, Respondent 3 said that if any stakeholder witnesses a wrong action or is

subjected to injustice, they can file a complaint to a certain committee in Direct Aid Society while keeping their identity anonymous. All responses to the complaints and reports system must be recorded and documented to identify and solve similar future issues effectively (Respondent 3). Respondent 4 said that the report and complaints system is easily accessible from the website of Direct Aid Society:

“The complaints and reports that we receive are sometimes very tough, for example in our office in Mauritania at our Islamic microfinance offices, some of the beneficiaries said that: You are not appreciating our effort, because your offices are far away from our homes and some other complaints.” (Respondent 4)

According to Respondent 1, Direct Aid Society has a KPI system for all employees including the board of directors and that they are evaluated based on the KPI results each year. These results are published and can be accessed by all stakeholders.

“For example, donations reports, did they reach donors on time or not? Another indicator of disbursement of donations, how much is the disbursement versus the revenues? and was the disbursement done according to the budget approved by the Board of Directors, or are there overruns and gaps? All these matters that I mentioned and many others that I did not mention, lead to the protection of donors and their money.” (Respondent 1)

Finally, there is a positive relationship between transparency and accountability, whereby the greater the accountability, the greater the protection of the stakeholders’ interests (Respondent 2). And as proven, the use of FinTech tools enhances transparency.

5.3 ROLE OF USING FINTECH TOOLS (CROWDFUNDING AND DIGITAL PAYMENT) IN Islamic Social Finance Institutions

This theme addresses the second research objective, i.e., to examine the role of FinTech tools – specifically crowdfunding and digital payment – in Islamic social finance institutions. It focuses on the importance of applying FinTech tools in Islamic social finance institutions in general, as well as the adoption of FinTech in the case study of

Direct Aid Society in particular. This theme also covers the impacts of using FinTech tools on Direct Aid Society’ institutional performance and on stakeholder protection. This theme was derived based on the respondents’ answers, and is further divided into the sub-themes below:

- 1- Implications of using FinTech tools in Islamic social finance institutions.
- 2- The usage of FinTech tools in Direct Aid Society.
- 3- Role of using FinTech tools on Direct Aid Society’ institutional performance.
- 4- Role of using FinTech tools on Direct Aid Society’ stakeholder protection.

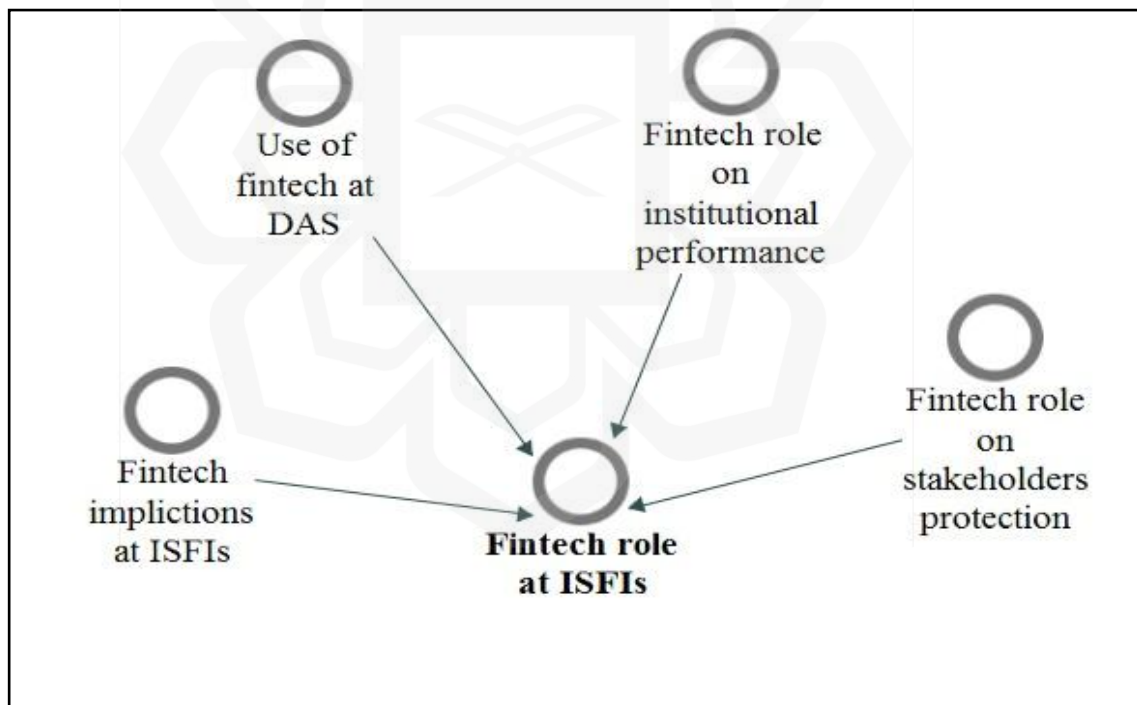


Figure 5.7 Model of FinTech Role in Islamic Social Finance Institutions
Source: Output of NVivo 14 generated from the interviews (2024)

5.3.1 Implications of Using FinTech Tools in Islamic social finance institutions

Figure 5.8 shows the respondents' answers regarding the implications of using FinTech in Islamic social finance institutions. In this regard, the use of FinTech tools benefits Islamic social finance institutions in many aspects including raising transparency levels, enabling the documentation of every fundraising process, easing and simplifying the fundraising process, reducing the cost of fundraising, and increasing stakeholder engagement especially fund providers (Respondents 3, 4, 7, 9, and 10).

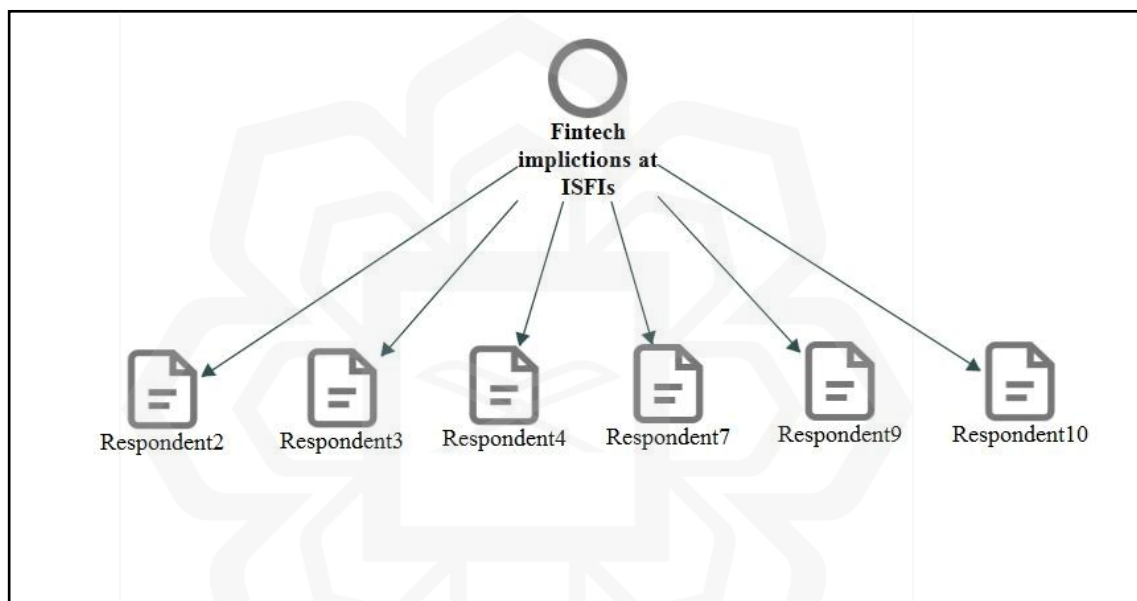


Figure 5.8 Model of Using FinTech in Islamic Social Finance Institutions
Source: Output of NVivo 14 generated from the interviews (2024)

Respondents 2, 4 and 8 confirmed that in 2016, The State of Kuwait issued a legislation that all donations must be collected digitally and that all cash donations for NGOs in The State of Kuwait are prohibited based on the Ministerial Decision No. (28/A) of 2016 (Annual Report of the Ministry of Social Affairs, 2016). Therefore, the use of FinTech in the form of digital payment became the only way for making donations to Islamic social finance institutions in The State of Kuwait. This facilitates financial governance in the aspects of receiving and spending money, and compliance with laws and regulations. Moreover, financial information is needed for governance actions to enhance the stability of financial transactions (Respondent 2).

“For example, dealing with any financial transactions manually leads to committing mistakes repeatedly, while using any FinTech tool such as digital payment or other it surely reduces the mistakes, while it may expose to cybersecurity risks which must be avoided, so it is a double-edged weapon.” (Respondent 2)

Respondents 3, 4, 9, and 10 explained that the use of crowdfunding has become an advanced solution for fundraising processes in Islamic social finance institutions. It increases the volume of donations and the number of donors on top of making the donation process easier. In other words, the donation can be made from anywhere within or outside the country, and only takes a few seconds (Respondents 3 and 7). With the most advanced digital donation systems, donors can opt for the auto donation feature which enables them to make recurring donations automatically (Respondent 9). The use of FinTech also enables small donors to participate in Islamic social finance institutions, therefore increasing the number of donations (Respondents 7 and 9).

The use of FinTech tools, especially crowdfunding, enhances the process of documenting or recording all donations. This helps in understanding donors' behavior and creating new projects to meet their needs (Respondents 3, 7, and 9) on top of increasing engagement with the donors or fund providers, which in turn increases donations and ultimately the level of transparency in Islamic social finance institutions (Respondents 4).

The use of digital payment also helps in donation traceability in order to prevent corruption and money laundering (Respondents 8). The ability to choose from e-wallets, local and international payment gates, and auto deduction eases the donation process and reduces donation cost (Respondents 9). Therefore, the use of FinTech tools, specifically crowdfunding and digital payment, plays an important role in increasing donations and reducing the associated costs. of donations. It also increases the levels of transparency and trust, prevents corruption, and ensures financial sustainability for Islamic social finance institutions in general (Respondent 9). In the following sub-theme analysis, the researcher focuses on the use of FinTech tools, specifically crowdfunding and digital payment, in the case study of Direct Aid Society.

5.3.2 The Usage of FinTech Tools in Direct Aid Society

Figure 5.9 below shows the responses regarding the use of FinTech tools in Direct Aid Society. Direct Aid Society first began using FinTech tools before the launch of its website in 2010, and the implementation shifted in many stages until the end of 2023 (Respondent 4). In Direct Aid Society, one of the FinTech tools used is digital payment via an electronic device called K-net, which is connected to an internal system to recognize the donor with each payment process (Respondent 4).

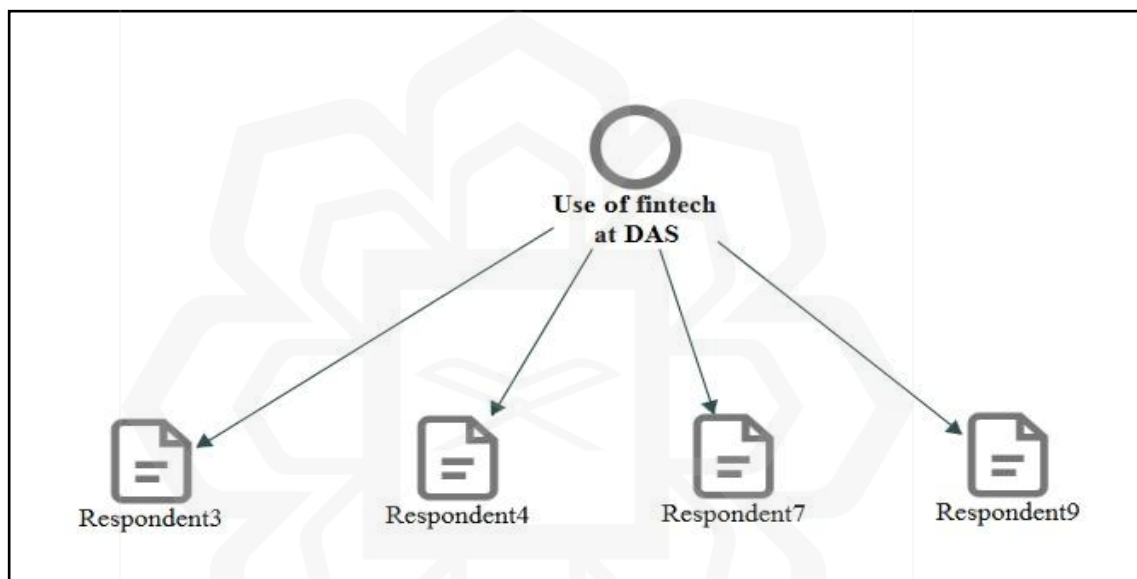


Figure 5.9 Model of FinTech Tools Usage in Direct Aid Society
Source: Output of NVivo 14 generated from the interviews (2024)

In another aspect, Respondents 7 and 9 explained that the first donation made on Direct Aid Society’ website-based crowdfunding platform was in 2010. Prior to that, the website only entailed a series of static web pages containing basic information on Direct Aid Society. In 2011, the first digital payment gates were established, both local and international, encompassing Visa, Mastercard, and K-net and other payment gates that are not supported in The State of Kuwait such as American Express and Pay Pal (Respondent 9). In this regard, Respondent 9 said that:

“The idea of creating Direct Aid Society’s website-based crowdfunding platform was inspired by well-known websites in the world at third sector field such as, charity water institution. They are one of the best website-based crowdfunding platforms globally, and they created the idea of birthday gift, which focuses on instead of celebrating birthdays with your loved ones, you can give donation online for the needy.” (Respondent 9)

In 2014, Direct Aid Society began launching private projects dedicated to donors based on their requirement to do the fundraising by themselves, i.e., by providing a unique donation link for the project they want to donate to. The donors would spread the donation link to get their project funded quickly, thus increasing the number of donations and donors on Direct Aid Society’s crowdfunding platform (Respondent 9). Respondents 7 and 9 mentioned that in 2016, the website-based crowdfunding witnessed a huge update which made browsing on the web easier and faster, thus improving user experience.

“For example, an Eye Camp project usually takes one month to get funded by 52,000 USD, we did donation analysis, we found 500 donors donated by 3 USD for each because put the default donation of 3 USD, and 50 donors donated by 130 USD and the other donors donated by different other amounts of money. We discussed such analysis and said that one Eye surgery costs 130 USD so, why did we put only 3 USD as a default donation, we should put 130 USD as a default donation because this is the cost for one surgery. We did so, then we found that the Eye Camp project that normally takes one month to get funded by 52,000 USD, turned to take only one week to get funded by the same amount of 52,000 USD and found that 300 donors donated by 130 USD and the other donors donated by different other amount of money. Therefore, understanding donors’ behavior has a huge impact on donation process on crowdfunding platforms, which positively affects the donation volume and speed.” (Respondent 9)

In 2017, Direct Aid Society began running major campaigns for the month of Ramadan, Arafah day, and the best 10 days before Eid Adha. In 2018, Direct Aid Society initiated the monthly campaign called 10*10 whereby one donation of 10 KWD enables the donor to participate in 10 projects (Respondent 9). With such major campaigns, thousands of donors browsed Direct Aid Society’ platform at the same time to donate, causing an overload to the digital payment gates; the server subsequently crashed and donations were suspended for a long time (Respondent 9). Due to the huge number of transactions reaching 2 million, Direct Aid Society was in dire need of a dedicated

server for its digital payment gates at a cheaper price compared to other institutions in the same field (Respondent 9). As a result, the donation process became faster and less costly, with a higher number of donors.

Respondents 4, 7, and 9 said that in 2019, Direct Aid Society established a built-in e-wallet on its crowdfunding platform and mobile applications to address the overload issue. Before any major campaigns start, the social media team would notify donors to top up their e-wallets in order to reduce crowding on the platform. Donations can be easily transferred from the e-wallet to any project in only 5 seconds and without incurring fees from the payment gates (Respondent 9). Hence, the use of e-wallet reduces the cost of donation on top of easing and expediting the donation process.

Meanwhile, Respondent 3 explained that the adoption of crowdfunding in Direct Aid Society is conducted well but not fully implemented. This is because crowdfunding requires donors to be connected directly to the beneficiaries, reducing the need for intermediaries. However, in the case of Direct Aid Society, donors cannot contact the beneficiaries directly, except when they are asked to do so (Respondent 3).

“For example, my wife has donated to Direct Aid Society and always asks me about her donation, therefore in this case if Direct Aid Society provides a direct connection between donor and beneficiary, she can directly contact the beneficiary and make sure of her donation status, also this would increase the level of trust in Direct Aid Society. In addition, the direct connection between donor and beneficiary would encourage donors to increase their donations.” (Respondent 3)

In the analysis above, the researcher highlighted how Direct Aid Society adopted the FinTech tools of crowdfunding and digital payments and developed them consistently for the benefit of the donors. In the following section, the researcher elaborates on how the adoption of FinTech tools enhances Direct Aid Society’ performance.

5.3.3 Role of Using FinTech Tools on Direct Aid Society' Institutional Performance

Figure 5.10 below shows the responses regarding the impact of FinTech on Direct Aid Society' institutional performance. The use of FinTech tools has significantly affected Direct Aid Society' institutional performance in terms of enhancing trust, transparency, disclosure, as well as the number of donors and volume of donation (Respondents 2, 3, 4, 7, 9, and 10).

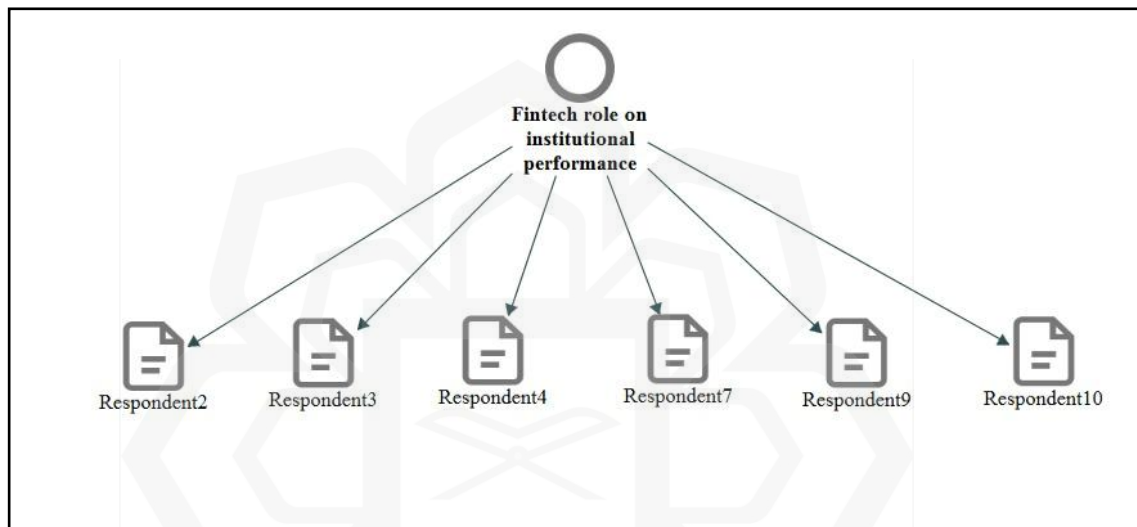


Figure 5.10 Model of FinTech's Role on Direct Aid Society' Institutional Performance

Source: Output of NVivo 14 generated from the interviews (2024)

In this regard, Respondents 2 and 4 said that the use of FinTech tools in Direct Aid Society increases the accuracy of its financial information and expedites the issuance of its financial reports, therefore significantly enhancing its financial performance. This is also achieved via revenue diversification, i.e., by allowing donations from outside of The State of Kuwait which in turn increases Direct Aid Society' financial sustainability (Respondent 3). In the same vein, the use of FinTech allows for the donation of small funds starting from 100 fils or USD 0.33 cents, thus accommodating a larger segment of donors including children so as to increase and sustain donations as much as possible (Respondents 3, 7, and 9).

In addition, Respondents 7 and 9 explained that in 2022, Direct Aid Society launched the auto-donation feature on the crowdfunding platform to ease, increase, and accelerate donations. After performing a one-time setting for their desired project, time, and amount of donation, donors can top up their e-wallets accordingly and their donations will be deducted automatically from there. This significantly reduces the cost of donation (Respondent 9). Donations are accepted in any amount starting from USD 0.33 cents (Respondent 9).

Respondent 9 explained about the dramatic change in terms of increased donations and reduced cost:

“Previously, at the beginning of establishing the crowdfunding platform, we had a statistic between the donations come from our five branches and the received donation from the website-based crowdfunding platform. The percentage was 20% of donations came from the website against 80% of donation come from the 5 branches, and now the donations come from the website exceeds 85% against only 15% of donations come from the 5 branches.” (Respondent 9)

In this regard, Respondent 9 clarified that VIP donors used to visit the branches and donate large amounts. But once they shifted to using the website platform, these large amounts become small as the majority of donors on the platform donate small amounts. Therefore, although the number of donations and donors increased (hence increasing the aspect of sustainability), the average donation per donor is lower (Respondent 9).

Respondent 9 explained that there are strategies in place to increase the usage of FinTech tools and practices, even for the new ones because a day will come when it will be widely used, and they will already have precedence at that time (Respondent 9).

“For example, we believe that in the future donors can just speak to their devices and say whatever they want, for example, to make an *Aqeeqah*. you say to the device, “Siri, I want an *Aqeeqah* for a boy,” so it is programed to make two sacrifices or for a girl it is one sacrifice. The device asks donor, “Do you want to deduct 50 The State of Kuwaiti Dinar from your account for such a purpose” without opening the application. For example, if a donor drives a car and he/she is about to get hit by car, they can quickly just speak to Siri to donate by 10 The State of Kuwaiti

Dinar, so donors don't need to hold the device and open the application or the website to make donation, thus everything will become automated.” (Respondent 9)

Consequently, the use of FinTech tools should be constantly developed in order to fulfill the donors’ ever-evolving demands, and therefore enhance the performance of Islamic social finance institutions. Besides, FinTech tools can significantly help in protecting stakeholders’ rights as discussed in the following section.

5.3.4 Impact of Using Fintech Tools on Stakeholder Protection in Direct Aid Society

This sub-theme focuses on how the use of the FinTech tools of crowdfunding and digital payment impact Direct Aid Society’s stakeholders including donors, beneficiaries, regulators, and employees. Figure 5.11 below shows the responses regarding the impact of FinTech tools usage on stakeholder protection in Direct Aid Society.

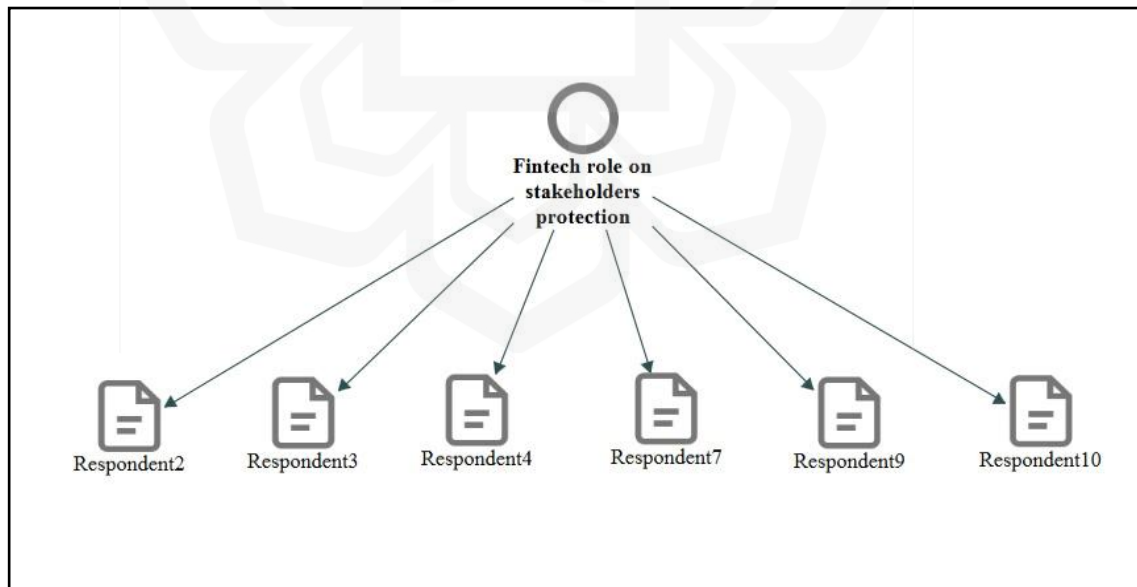


Figure 5.11 Model of the Impact of FinTech on Stakeholder Protection in Direct Aid Society

Source: Output of NVivo 14 generated from the interviews (2024)

Respondents 2, 7, and 10 confirmed that the use of FinTech in Direct Aid Society helps donors in making donations and obtaining their project reports easily without visiting the branch. In this regard, Respondents 7 and 10 mentioned that the use of the website-based crowdfunding platform enhances donor protection in terms of easing donation traceability.

“For example, it is very simple and easy for donors to know their record of successful and failed transactions, in addition they can easily know their refunded, cancelled and replaced donation on the platform immediately as well as their deduction process and the status of gift cards etc.” (Respondent 7)

As donors can easily track the progress of their donations, they develop a robust relationship with the institution based on trust (Respondent 9). The donors can ask to contact their projects' beneficiaries to ensure the quality of the projects' implementation, therefore easing the measurement of the projects' social impact and thereby increasing the trust and transparency in Direct Aid Society (Respondents 3 and 9). The donors can also track the overhead expenses such as operational and administrative costs or percentages at any time from the published audited financial reports (Respondents 3). Besides that, the usage of e-wallet has reduced the cost of donation in terms of the commission charged by the intermediary company at the payment gates; donors would feel more satisfied and protected with such reduction in donation cost (Respondent 9).

The reduction of donation cost via the usage of digital payment such as e-wallets in Direct Aid Society helps in protecting the beneficiaries' rights as the disbursement percentage on projects will be increased. In addition, the beneficiaries can track the donation volume and the administrative percentage through Direct Aid Society' crowdfunding platform, hence increasing trust towards the institution (Respondent 3). In the same vein, all the published information on the crowdfunding platform helps in easing and accelerating the measurement of the implemented projects' social impact so as to continuously improve them (Respondent 3).

Respondents 2 and 7 confirmed that the usage of FinTech tools helps in reducing employees' mistakes and in recording and documenting their tasks and actions. As such,

the follow-up of employees' tasks becomes easier and the quality of their work increases. For example, the platform setting during campaigns became simpler due to the addition of new features, while the uploading of donors' reports became easier and donation refunds became quicker and more accurate (Respondent 7).

All the FinTech tools and actions in Direct Aid Society are recorded and documented, thus fulfilling its compliance and commitment to the Ministerial Decision No. (28/A) of 2016 which obliges all Islamic social finance institutions to receive their donation through digital payment (Respondents 4 and 10). In addition, the use of FinTech tools in Direct Aid Society has made the process of supervision easier and more accurate, thus contributing to the protection of the supervisory authorities' rights (Respondents 4 and 10).

Finally, the use of FinTech tools plays a significant role in preventing corruption such as money laundering and theft. It also ensures the best use of resources in Islamic social finance institutions, which supports stakeholder protection (Respondent 8). But the use of FinTech has also created new cybersecurity issues, which in turn negatively affects stakeholder protection (Respondent 2). In the following two themes, the researcher discusses the obstacles in applying good governance and how Direct Aid Society overcame them, as well as how the use of FinTech tools impact the application of good governance in Islamic social finance institutions in general and Direct Aid Society in particular.

5.4 ISSUES AND CHALLENGES IN THE ADOPTION OF GOOD GOVERNANCE IN ISLAMIC SOCIAL FINANCE INSTITUTIONS

This theme addresses the third research objective, i.e., to examine the obstacles in the application of good governance in Islamic social finance institutions in general and Direct Aid Society in particular. Lastly, the theme discusses how Direct Aid Society overcame the obstacles of adopting good governance. This theme was formed according to the answers of the respondents, and is further divided into the sub-themes below:

- 1- Issues of good governance application in Islamic social finance institutions

2- Issues of good governance application in Direct Aid Society

3- Overcoming the issues of good governance application in Direct Aid Society

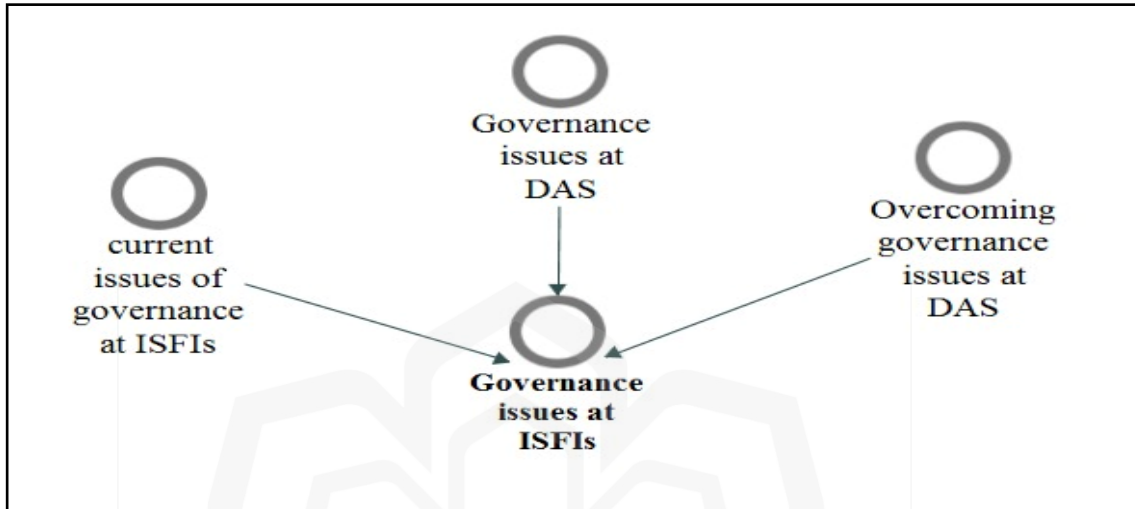


Figure 5.12 Model of Governance Issues and Challenges in Direct Aid Society
Source: Output of NVivo 14 generated from the interviews (2024)

5.4.1 Issues of Good Governance Application in Islamic Social Finance Institutions

Figure 5.13 below shows the responses regarding the issues and challenges of applying good governance in Islamic social finance institutions. The issues are mainly related to the nature of the institutions, their employees and board of directors, as well as the regulations that supervise Islamic social finance institutions.

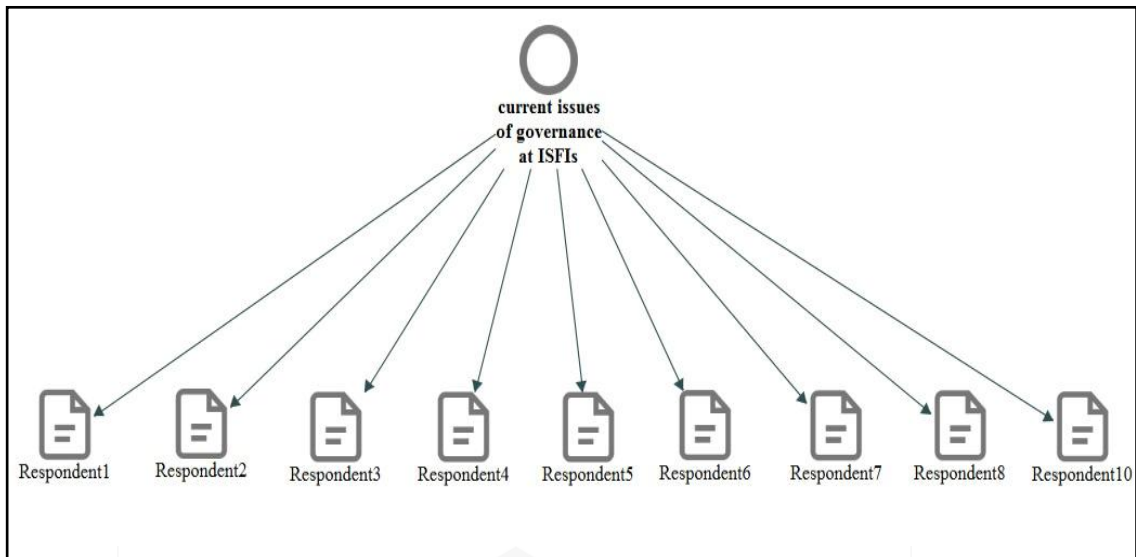


Figure 5.13 Model of Governance Issues and Challenges in Islamic Social Finance Institutions

Source: Output of NVivo 14 generated from the interviews (2024)

Respondents 1, 3, and 10 confirmed that there is a misperception that the application of good governance obstructs workflow, and that it is not necessary for Islamic social finance institutions.

“This misperception I have heard it many times from different institutions in this field. And the supervisory authorities and the institutions that applied good governance should spread out the benefits of applying good governance and how it is a protection for the institutions and not a restriction.” (Respondent 1)

“Governance is mostly a new concept to Islamic social finance institutions therefore, they did not see its benefits in order to be encouraged to apply it, and they believe it is kind of restriction for them more than beneficial.” (Respondent 3)

In addition, the application of good governance requires additional administrative procedures that would slow down the decision-making process (Respondent 10). Besides that, many Islamic social finance institutions believe that the requirements for the application of good governance are rather overwhelming (Respondent 10). For example, there are various requirements for the establishment of a reporting policy, a conflict-of-interest policy, a matrix of powers, and others which

require significant administrative effort (Respondent 10). Another example is reports that would require a long time to address, hence increasing the administrative burden (Respondent 10). As such, many Islamic social finance institutions are unenthusiastic about applying good governance, especially if the country is not committed to do so as in the case of The State of Kuwait.

Another issue is the lack of knowledge or awareness among the regulatory authorities in The State of Kuwait regarding the principles, standards, indicators, and measurements of good governance (Respondents 1 and 3). Furthermore, there are no set frameworks for organizing the application of good governance in The State of Kuwait, except for some random practices from the Ministry of Social Affairs (Respondent 1).

“If there is an umbrella or entity responsible for the application of good governance to guide Islamic social finance institutions, the statues of good governance in The State of Kuwait would be much better.” (Respondent 1)

There are also no laws and regulations that support the application of good governance in Islamic social finance institutions in general and in The State of Kuwait in particular, except for certain conferences and professional studies that contribute to spreading awareness about good governance (Respondent 4). This lack of commitment for the application of good governance in Islamic social finance institutions in The State of Kuwait hence hinders its adoption (Respondents 3 and 5).

Another issue of applying good governance at Islamic social finance institutions is related to lack of knowledge or awareness of employees and decision makers in The State of Kuwait regarding principles, standards, indicators and measurement of good governance standards (Respondents 3, 4, 5, 6 and 7).

“In my opinion, the main issue of applying good governance standards at Islamic social finance institutions is lack of sufficient awareness among employees and decision makers regarding the objectives and importance of governance practices.” (Respondent 4)

The application of good governance standards requires additional work from the employees, and therefore their enthusiasm. The leaders in Islamic social finance institutions do not possess adequate awareness and knowledge to adopt governance (Respondent 7). In addition, there is a lack of specialized personnel in the field of charity work in The State of Kuwait in general and governance experts in the field of social finance in particular (Respondent 10).

Respondent 6 mentioned that the quality of internal audit systems in Islamic social finance institutions is generally poor, and many of them do not even have an internal audit system. Respondent 8 said that many Islamic social finance institutions in The State of Kuwait do not have organizational structures.

“He said, now we do not accept the establishment of any new organization without a clear organizational structure, and we mean a clear form of the executive management and not only the board of directors.”
(Respondent 8)

Organizational structure is important because it is the base for adopting a good governance system in any institution.

Another important issue that obstructs the application of good governance in Islamic social finance institutions is the financial cost, especially with small institutions (Respondents 3, 7, and 10). In this regard, there are certain costs for creating detailed regulations and instructions as well as monitoring such instructions by appointing experts and in some cases appointing new skilled employees; generally, however, the requirements for adopting good governance should be different between big and small institutions (Respondent 3).

“For example, the Capital Markets Authority in The State of Kuwait requires more governance requirements for big companies compared to small companies due to the high level of maturity in the big companies, and they have more financial ability to bear the costs, while small companies are not required fulfilling the same scope of requirements.”
(Respondent 3)

Lastly, most of the board of directors' members in Islamic social finance institutions are volunteer members; hence, they cannot allocate significant time for the institution, resulting in reduced quality in their work (Respondent 2)

“In my opinion, this is one of the biggest issues because usually free work does not provide as high a quality as paid work, in addition it is difficult to expose them to accountability. In other words, some members may say we are volunteers and hold of accountable.” (Respondent 2)

Therefore, the poor-quality volunteer work extended by these board members weakens the application of governance. Giving rewards to them may not necessarily improve the quality of their work, as they are still primarily volunteers (Respondent 2). The following sub-theme analysis discusses the issues faced by Direct Aid Society in its application of good governance.

5.4.2 Issues of Good Governance Application in Direct Aid Society

Figure 5.14 below shows the responses regarding the issues and challenges of good governance application in Direct Aid Society. A majority of the respondents agree that the main challenge lies in the lack of awareness among its employees in terms of administrative procedures and processes as well as supervision actions (Respondents 4, 5, 6, 7, and 10). In this regard, Respondent 4 mentioned that the application of good governance in Direct Aid Society comes from the top management, and that the employees are not a part of such decision. Therefore, the employees consider it as a restriction and a form of supervision upon them. Another crucial issue is related to the high cost of applying good governance, as Direct Aid Society is required to spread governance awareness among its employees through trainings, workshops, experts consultations, and the establishment of new committees and others (Respondent 4).

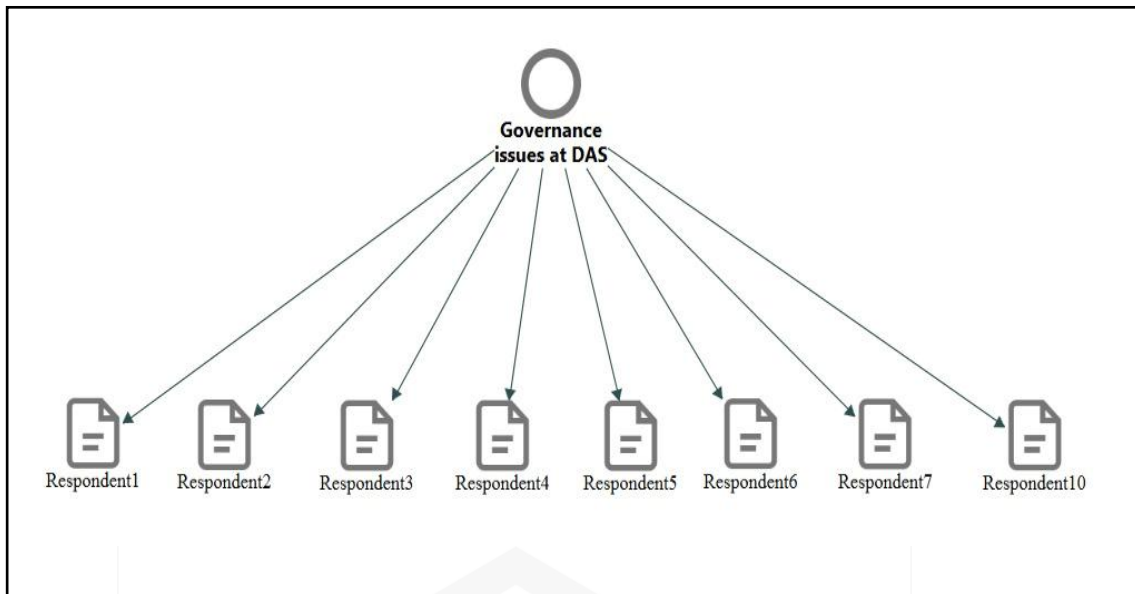


Figure 5.14 Model of Governance Issues and Challenges in Direct Aid Society
 Source: Output of NVivo 14 generated from the interviews (2024)

Another issue is related to the improvement of administrative processes and procedures. For example, after the application of good governance in Direct Aid Society, some employees found that extra actions are needed so that they can gain the same results attained before governance application (Respondent 10). This led some of them to think that the adoption of governance burdens the institution with many unnecessary actions and procedures (Respondent 10). In addition, some employees found that their power at the institution has decreased; due to the introduction of the matrix of powers, some employees can object certain decisions as the decision maker is no longer responsible for such decisions (Respondent 10).

Respondent 3, being a member of the board of directors and a governance expert in Direct Aid Society, explained that one of the governance issues in Direct Aid Society is convincing the board of directors about the importance of adopting good governance:

“Especially, we faced some governance issues among the board of directors at Direct Aid Society, for example in respect to the conflict of interests, some of us are members at other competitive institution in The State of Kuwait. This is in corporate governance is considered as conflict of interests, but regarding charitable institutions, we agreed that there is a scarcity of qualified The State of Kuwaitis in this field. Therefore, we need those members, so we agreed that the members of the board should

disclose the charitable institutions in which they are members, and if there is any suspicion of a conflict of interest, the member shall abstain from voting.” (Respondent 3)

“Another example of governance issues related to the board of directors at Direct Aid Society is the assessment of the board members as a governance requirement, this assessment causes an embarrassment for the board members as they work voluntarily at Direct Aid Society, especially some of them are ex ministers. Therefore, we agreed at the board to assess ourselves, and in the future, after few years of practicing governance we may conduct such assessment through a third party.” (Respondent 3)

Another issue in applying good governance in Direct Aid Society is related to the high sensitivity of charity work in The State of Kuwait, i.e., balancing between benefit and harm, especially with the disclosure of financial information (Respondent 1).

“For example, the financial information was ready to be published since 2012, but the first publishing was in 2016, and we were awaiting and challenging what the reaction would be from the public to the financial information published on the website, whether there would be attacks on us and whether there would be skepticism or not. This is because The State of Kuwaiti community is so connected and if there any information released it would spread widely and quickly and mostly in a negative manner. More interestingly, with the first publishing for the financial information and the governance measurement results at Direct Aid Society, the response was extremely positive from all stakeholders.” (Respondent 1)

Another respondent explained that Direct Aid Society is a very famous institution, and all the public and supervisory authorities consider it as a leading institution in the social finance industry in the Gulf and Middle East area (Respondent 2). Thus, Direct Aid Society bears the burden of taking into consideration all the responses and reactions from the public in respect to any published information on its website, causing it to delay the application of good governance practices (Respondent 2).

Respondent 2 added that it is difficult for Direct Aid Society to apply good governance standards in all its 30 offices in Africa and Yemen as each country has its

own regulations and laws. The effectiveness of the application would be negatively impacted. In this regard, Direct Aid Society commits to its legislations and regulations as a basis or first step for the application of good governance practices:

“The minimum level of good governance practices for any institution is achieving compliance and commitment with the relevant laws and regulations of the country that the institution is subject to.” (Respondent 2)

Meanwhile, in The State of Kuwait, there are not any laws and regulations that commits Islamic social finance institutions to apply good governance standards. Therefore, many governance actions are controversial and result in complex negotiations among the governance committee of Direct Aid Society (Respondent 1).

“For instance, publishing the minutes of the Board of Directors meeting on the website. Is there anything positive from publishing it? Is it a governance practice or not? Is it one of the matters on which there is consensus in publishing it? Do we publish the summary of the meeting or not? Is this considered a governance application or not? as well as many other matters are up for debate.” (Respondent 1)

Consequently, Direct Aid Society tries to apply the highest standards of governance in a way that does not harm the interests of the general assembly and individuals. In short, Direct Aid Society applies what suits its society and protects its stakeholders (Respondent 1). In the following section, the researcher analyses how Direct Aid Society overcomes and deals with the issues of applying good governance standards.

5.4.3 Overcoming the Issues of Good Governance Application at Direct Aid Society

Figure 5.15 below shows the responses regarding the issues and challenges in applying good governance practices in Direct Aid Society. The first action entails approaching experts, especially those who are aware of the Islamic social finance industry, as they had participated in raising the awareness of good governance among employees, executive management, and board of directors (Respondents 1, 2, 4, 5, and 10).

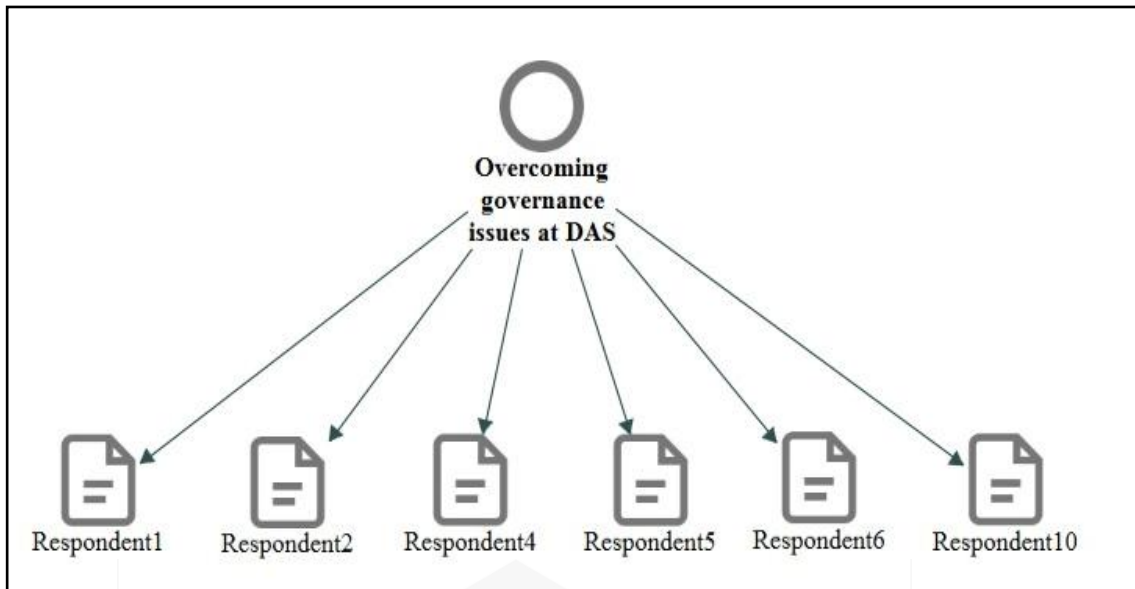


Figure 5.15 Model of Overcoming Governance Issues and Challenges in Direct Aid Society

Source: Output of NVivo 14 generated from the interviews (2024)

When it first started applying good governance, Direct Aid Society formed a voluntary team consisting of internal and external governance experts to educate the managers and employees about the importance of governance adoption (Respondent 5). The appointed governance experts helped in conducting many workshops and training to build a clear vision in establishing a governance guide and in drawing the indicators, scope, and questions of the guide (Respondent 5).

In addition, Direct Aid Society formed a governance committee affiliated with the board of directors (Respondent 1). When the application of governance standards and evaluation began, there was a need to form a committee that does not interfere with the stakeholders in governance and is external to the executive management (Respondent 1). Therefore, a committee was established and affiliated with the board of directors comprising two members of the board, an independent expert in governance, and a coordinator to receive the governance results and present them to the committee for evaluation, give recommendations, and monitor governance applications in Direct Aid Society (Respondent 1). In this regard, Respondent 1 said:

“We formed a governance committee to confirm that the board of directors and the executive management are serious in adopting good governance and to ensure the quality of its practices.” (Respondent 1)

Subsequently, the number of committees affiliated with the board of directors increased from two committees to four or five. The number of meetings increased as well to ensure the accuracy of the good governance practices (Respondent 2). Subsequently, Direct Aid Society established an internal audit office affiliated with the board of directors to ease the application of governance and its measurement (Respondent 6).

It also promotes the value of benevolence (IHSAN), considers governance as part of IHSAN which is an act of worshipping Allah, and spreads this culture among employees and leaders (Respondent 1). Therefore, governance has become not only a slogan, but also an application for everyone (Respondent 1). On top of that, many leaders from the executive management and the board of directors in Direct Aid Society attended several courses to improve their awareness of governance practices and other main knowledge related to finance, accounting, and investment (Respondent 2).

“This is because any awareness is related to governance, and there is governance at the level of the institution, and governance for every sector, office, and department. As well as every employee requires governance, such as a job description, job rank and should read all the policies and procedures of the department in which they work, in other words, the most important factor in governance is awareness of human capital.” (Respondent 2)

In addition, Direct Aid Society built a connection with the regulatory authorities in The State of Kuwait in respect of its application of good governance. It also presented the good governance model, which improved transparency and support from the regulatory authorities towards enhancing the application of governance (Respondent 1). This helps in overcoming the issue of high sensitivity within the Islamic social finance industry, especially charity work in The State of Kuwait, and preventing laws and regulations non-compliance.

Respondents 5 and 6 explained that one of the factors that helped ease the application of good governance in Direct Aid Society is having a clear vision of the importance and benefits of good governance practices. This is in addition to establishing a comprehensive governance guide according to the related laws and regulations in The State of Kuwait. This includes all rules and principles of governance for each division, office, branch, and external related parties in order to maintain a robust and effective governance system for all Direct Aid Society units (Respondents 5).

Respondent 10 mentioned that in order to overcome the lack of awareness and knowledge among employees, Direct Aid Society opened the participation for all employees by giving suggestions. Direct Aid Society also established continuous improvement systems for all employees to improve the application of governance while giving room for mistakes (Respondent 10). By creating a teamwork of employees, department heads, and managers, rather than a closed committee, a space for communication and exchanging opinions was established (Respondent 10).

Even with all the aforementioned efforts, there are still some ongoing issues that need to be addressed, such as establishing policies and procedural guides and charters for certain units in Direct Aid Society (Respondent 6).

5.5 IMPACT OF USING FINTECH TOOLS ON THE PRACTICE OF GOOD GOVERNANCE IN ISLAMIC SOCIAL FINANCE INSTITUTIONS

This theme addresses the fourth research objective, i.e., to explore the impact of using FinTech tools (crowdfunding and digital payment) on the practice of good governance in Islamic social finance institutions in general and Direct Aid Society in particular. In order to discuss this impact, the respondents linked the FinTech tools used in Direct Aid Society with the applied good governance standards, especially the second and third standards. This theme was formed based on the respondents' answers, and was further divided into the sub-themes below:

1. Financial Stability

2. Transparency, Disclosure and Accountability

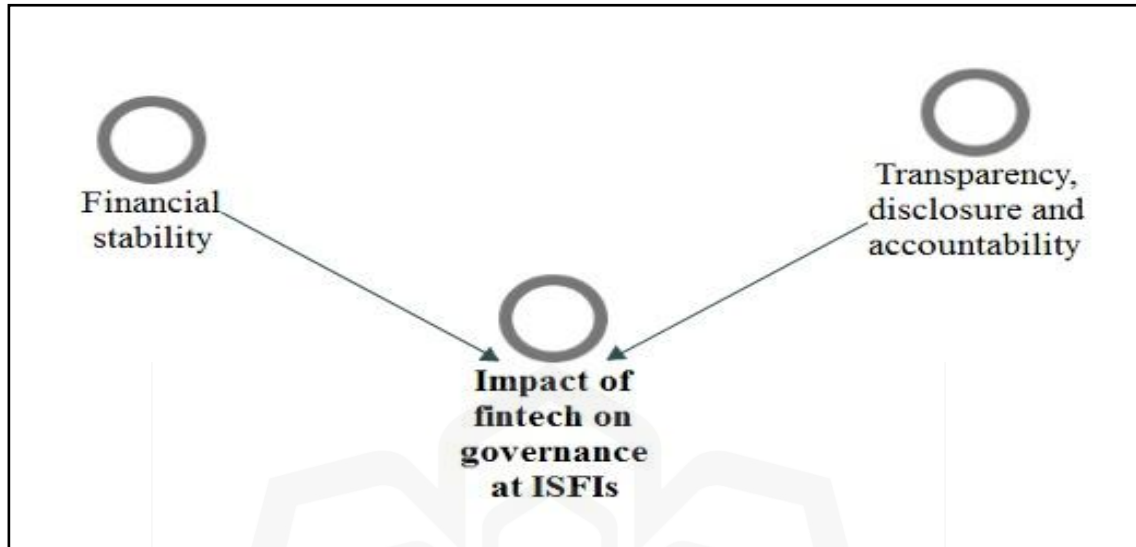


Figure 5.16 Model of the Impact of FinTech on Governance in Islamic Social Finance Institutions

Source: Output of NVivo 14 generated from the interviews (2024)

5.5.1 Financial Stability

This sub-theme contains many actions and means of FinTech tools that lead to financial stability, which is the second good governance standard applied in Direct Aid Society. It includes two scopes and 10 indicators of governance as mentioned in Chapter Four. Figure 5.17 shows the responses regarding the impact of using FinTech on financial stability as the second standard of good governance applied in Direct Aid Society.

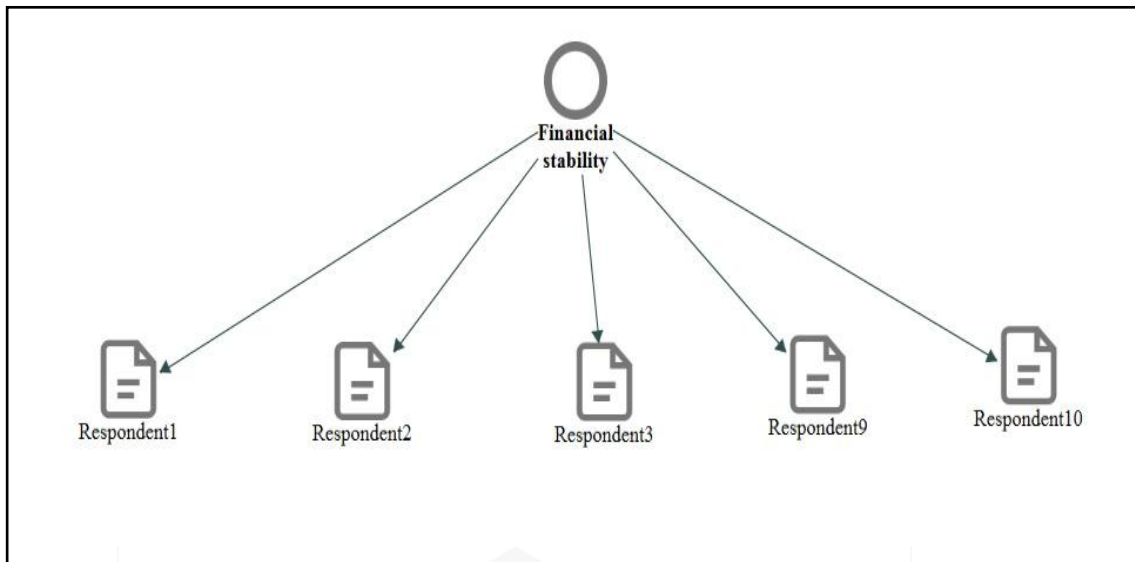


Figure 5.17 Model of the Impact of FinTech Usage on the Financial Stability Governance Standard Applied in Direct Aid Society
 Source: Output of NVivo 14 generated from the interviews (2024)

Respondents 1, 2, 3, and 9 agreed that the usage of FinTech tools in Direct Aid Society positively impacts the practice of good governance standards in terms of financial stability by reducing the cost of donations and administrative expenses.

Respondent 1 explained the huge impact of using digital payments in Direct Aid Society in reducing the cost of donations and administrative expenses. About 9 years ago, most donations were made through the branches and those made through Direct Aid Society’s website crowdfunding platform only comprise 30% of the total donations. Today, more than 65% of the total donation comes from digital payments via the website crowdfunding platform. This in turn led to the reduction of administrative expenses, whereby the number of employees at the branches has been reduced remarkably.

“For example, in the past each branch contained 4 or 5 employees, and now only 2 employees, which led to a reduction in the administrative expenses and cost of donations directly. Top of that, in respect to donors, the use of fintech tools reduced their cost of going to branches for donations, but now donors can donate at home easily, and let us imagine how many donors could not come to the branch due to difficulties of coming in person for donation. More interestingly, the cost of donation through Direct Aid Society’s website crowdfunding platform costs 55

files, while the cost of donation through the branch costs 250 fils.”
(Respondent 1)

In addition, the cost of printing donation reports to be sent to donors was Direct Aid Society 750 fils per report, which equals around USD 2.4. The total per year was KD 25,000, which equals around USD 81,303. Today, the cost of sending a report to a donor is almost zero through the website-based crowdfunding platform (Respondent 1). Moreover, after the number of donation transactions on Direct Aid Society’ website crowdfunding platform reached one million transactions, the fee for one donation reduced 5 times compared to the cost for one donation a few years ago (Respondent 1).

“For example, after a long negotiation with the intermediary party in the digital payment gates on Direct Aid Society’s website-based crowdfunding platform, we saved between USD 550,000 – 600,000. Top of that, after we applied the e-wallet where the cost of donation became deducted only once when a donor tops up the e-wallet, and then all donation from the e-wallet balance turned to be without any cost, which in return reduced the cost of donations and increase donation transactions.” (Respondent 1)

Therefore, the use of FinTech tools especially crowdfunding and digital payment has helped in reducing a significant amount of cost, which in turn impacts financial stability as one of the three good governance standards applied in Direct Aid Society.

Respondent 9 explained that during donation campaigns, the cost of donation is commonly around 10-15% out of the total collected amount. For example, if a campaign collected USD 1 million, the cost of donation is 10% which equals to USD 100,000. However, in Direct Aid Society, the cost of donation is only around USD 100. This huge reduction in the cost of donations is due to the advanced tools and related activities of crowdfunding and digital payments applied in Direct Aid Society (Respondent 9).

“Our strategy in Direct Aid Society is to reduce the disbursement on donations process as much as possible, through taking advantage of creating unique means and tools on the website crowdfunding platform and digital payments. For example, reducing the disbursement on the paid ads and concentrating on the organic reach to donors in order to obtain

the best use of investing in fintech tools of crowdfunding and digital payments and other tools.” (Respondent 9)

In addition, Respondent 1 mentioned that one of the main factors for the reduced administrative percentage in Direct Aid Society is the usage of website-based crowdfunding and other FinTech tools. Respondent 1 confirmed that the administrative percentage for the headquarters in The State of Kuwait and the representative offices in Africa and Yemen, which was previously 18%, had been reduced to 10.5% and then to 9.5% out of the total revenue. Meanwhile, the administrative percentage for the headquarters in The State of Kuwait, which was previously 7.5%, has been reduced to 4.5% (Respondent 1).

This reduction in the cost of donations and administrative expenses has enhanced the performance of the indicators under the financial stability standard of good governance applied in Direct Aid Society. These indicators include the proportion of administrative expenses and the proportion of fundraising and donations expenses.

Besides that, the usage of FinTech tools enhances financial stability as a good governance standard by increasing donations especially unrestricted donations such as Sadaqa Jariyah and waqf (Respondents 1, 9, and 10). This increase not only enhances financial stability, but also addresses the high cost of applying a good governance system. In addition, the use of FinTech helped cover 100% of Direct Aid Society’ budget, even with the continued increase of the budget yearly (Respondent 1).

“More interestingly, we had 80% deficit of the educational budget, and we had to cover it from general Sadaqah and general Zakat, now after using some fintech tools on the website crowdfunding platform of Direct Aid Society, we turned to cover the educational budget from direct donations to educational projects.” (Respondent 1).

Governance and transparency were also enhanced via the usage of certain features on the website crowdfunding platform, such as the sending of auto reports (Respondent 1). In 2016, Direct Aid Society’ waqf assets reached KD 2.5 million, but after sending the auto reports to donors, its waqf assets increased to KD 7 million in 2017. This figure continued to increase in the next three years, i.e., to KD 9 million, KD

12 million, and KD 15 million (Respondent 1). Thus, the usage of FinTech tools in Direct Aid Society has led to improved trust, increased volume of donations, and ultimately increased financial sustainability (Respondent 1).

As a result, the increase in donation – especially unrestricted donations such as Sadaqa Jariyah and waqf – enhances the performance of the applied indicators under the financial stability standard. These indicators include the ability to cover future financial obligations and the proportion of financial sustainability from Waqf and investments. In this regard, Respondent 1 mentioned that the waqf proceeds in 2023 covers 13% of the total budget of the same year.

5.5.2 Transparency, Disclosure and Accountability

This sub-theme includes many actions and means of FinTech tools that lead to transparency, disclosure, and accountability, i.e., the third good governance standard applied in Direct Aid Society. It includes two scopes and six indicators as mentioned in Chapter Four. Figure 5.18 below shows the responses regarding the impact of using FinTech on transparency, disclosure, and accountability.

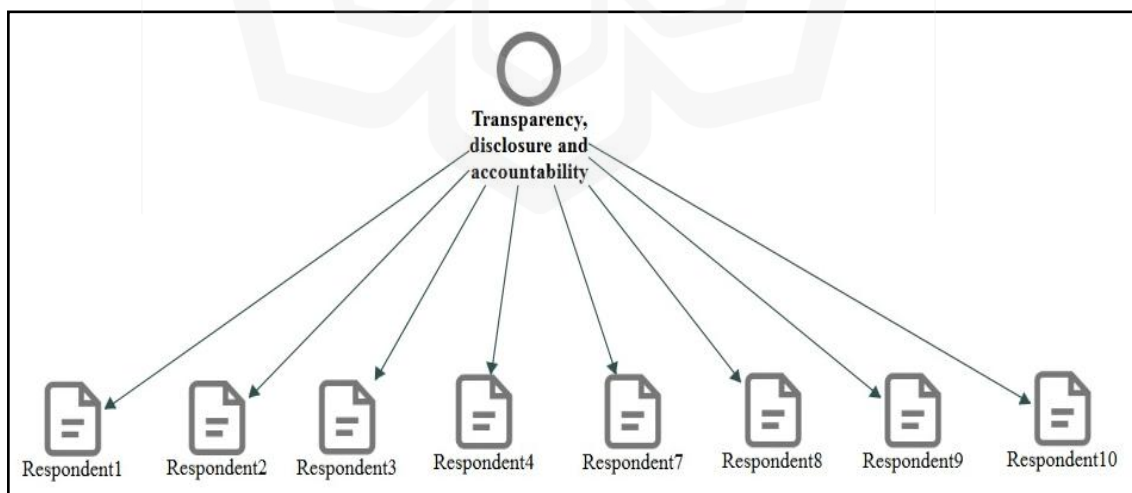


Figure 5.18 Model of the Impact of FinTech Usage on Transparency, Disclosure, and Accountability as a Governance Standard in Direct Aid Society
Source: Output of NVivo 14 generated from the interviews (2024)

Respondents 1, 2, 3, 4, 7, 8, 9, and 10 agreed that the usage of FinTech tools in Direct Aid Society has positively impacted the practice of good governance standards in terms of enhancing the levels of trust, transparency, disclosure, accountability, and engagement with donors.

In this regard, Respondent 1 explained that every donor receives different types of notifications to confirm their donations. On top of that, donors can visit the website crowdfunding platform of Direct Aid Society at any time to see their accepted donations on the meter displayed on the platform instantly, with many details such as date and time of donation. The donors can also check their donation reports and different implementation reports, to know how many donors have donated to the projects and the dates of the project reports. For waqf projects, donors have access to financial reports from 2016 to today. All these helps enhance the level of transparency and trust as well improve the practice of good governance in Direct Aid Society (Respondent 1).

However, Respondent 3 explained that the application of crowdfunding in Direct Aid Society is not fully implemented and therefore its impact on transparency is not yet optimal.

“For example, at the fully implementation of crowdfunding system, donors connect to the beneficiaries immediately and follow up their donations continuously without asking the intermediary people who are responsible for the crowdfunding platform with every time of connection with the beneficiaries as the case at Direct Aid Society. Therefore, donors instantly aware of their donations reach the beneficiary, and they can continue updated of their donations status in the case of conducting a long project to the beneficiaries. However, the crowdfunding implementation of Direct Aid Society achieves an appropriate level of transparency and trust which in return enhances the good governance adoption.”
(Respondent 3)

Respondent 4 mentioned that the use of FinTech tools guarantees neutrality in the application of good governance, which raises the level of transparency and accuracy of good governance practices. Furthermore, Respondent 7 mentioned that using FinTech tools increases the transparency and disclosure in Direct Aid Society where every 10 minutes all donation processes are shown on the website crowdfunding platform with detailed information. In addition, Respondent 9 clarified that the use of

FinTech tools improves the performance assessment of donation processing and the attainment of feedback from the stakeholders of Direct Aid Society, which in turn enhances the level of trust and transparency and improves the application of good governance. For example, all donations and implementation reports are sent through the website crowdfunding platform, which also receives all requests for refund and projects changes (Respondent 9).

“For instance, donors start on a web crowdfunding page to give donations, and they can revisit the same page to receive their project implementation reports including progress and final ones. Therefore, donors can follow up their donation fully starting from the donation process until receiving their funded projects reports, thus enhancing trust and disclosure as well as the accountability.” (Respondent 10).

Respondents 1, 2, 3, 4, 7, 8, 9, and 10 agreed that the use of FinTech tools increases the level of disclosure in terms of the publishing of all annual reports, objectives, charters, by-laws, and governance guide on the website crowdfunding platform. In addition, usage of the digital payment gates helps in the recording and documenting of all donation transactions. Hence, the use of FinTech tools enhances the accuracy of disclosure which in turn increases the quality of accountability and therefore eases and accelerates the supervision process (Respondent 8).

5.6 RESPONDENTS’ OPINIONS REGARDING THE IMPACT OF FINTECH TOOLS ON EACH GOVERNANCE INDICATOR IN DIRECT AID SOCIETY

After discussing and analyzing the positive impact of using FinTech tools on the practice of good governance in Direct Aid Society, especially in respect of the second and third good governance standards, the related respondents discussed how the governance indicators are impacted by the FinTech tools. This encouraged the researcher to go deep into the relationship between FinTech and governance in another means. The respondents were asked to give their opinions about the impact of crowdfunding and digital payment on each good governance indicator in order to thoroughly explore the relationship between the two. All the indicators were presented

under their governance scopes and standards, and the respondents were asked to mark (✓) to confirm a positive relationship or (✗) to unconfirm a positive relationship.

Table 5.1 presents all the governance standards, scopes, and indicators to show the relationship between FinTech usage and each governance indicator in Direct Aid Society. Firstly, the standard of compliance and commitment has four scopes and 13 indicators. The governance standard of financial stability has two scopes and 10 indicators. The third governance standard of transparency, disclosure, and accountability has two scopes and six indicators. In this regard, Respondents 2, 3, 4, 5, 7, and 9 gave their opinions on the confirmed positive relationship between the usage of FinTech tools (crowdfunding and digital payment) and the practice of good governance in Direct Aid Society. These respondents are more involved in both FinTech and governance compared to the other respondents.

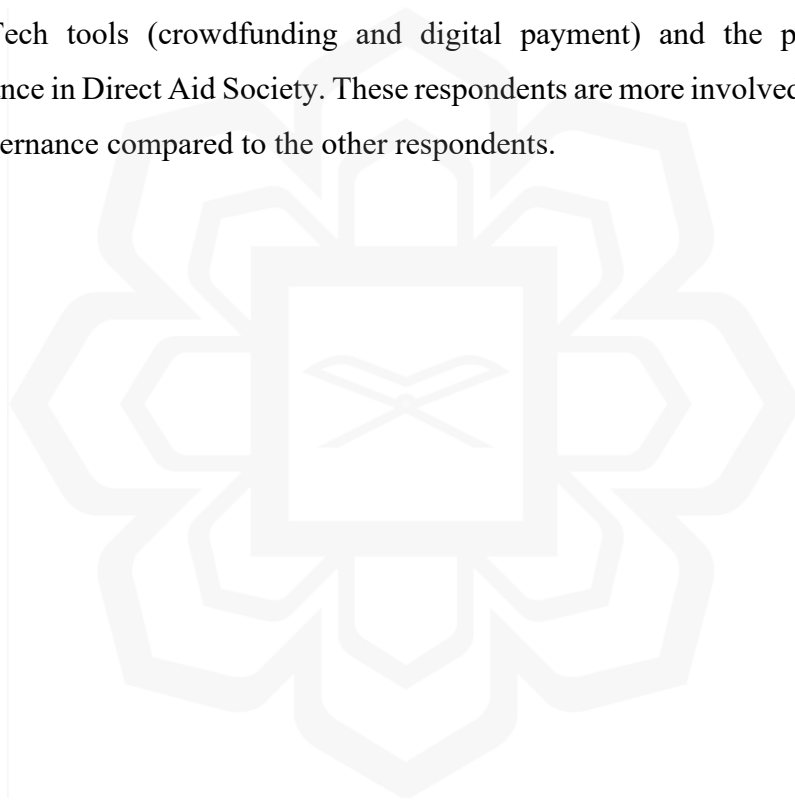


Table 5.1 Respondents' Opinions of the Relationship Between Fintech and Applied Governance in Direct Aid Society

The First Governance Standard: Compliance and Commitment													
Scope	Principle of establishment and organizational purpose			Leadership and Integrity			Programs and Resource Development			Oversight and Awareness			
Indicator	The commitment of the organization to the controls and procedures stipulated in the statute	The treasurer's commitment to his responsibilities and powers specified in the laws and regulations	Commitment of the organization to establish its branches and offices in accordance with what is determined by the rules and regulations	The ability of the organization to manage the general assembly with high efficiency and apply all provisions and controls to increase its effectiveness	Commitment of the organization to the provisions and controls regulating the Board of Directors and to increase its effectiveness	Commitment of the organization to prepare the required periodic reports according to the controls that form and organize the work of the permanent and temporary committees	Commitment of the organization to regulations when implementing programs and contracts inside or outside The State of Kuwait	Commitment of the organization to the systems and controls governing resource development and investment	Commitment of the organization to rationalizing resource collection activities and rationalizing spending	Commitment of the organization to monitoring, auditing and accountability systems	Commitment of the organization at all administrative levels to combating crimes of terrorism and its financing, and money laundering	Commitment of the organization at all administrative levels to professional and ethical behavior as well as protecting stakeholders' rights	Commitment of the organization to the systems and controls governing documents and records
Respondent													
Respondent 2	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 4	✗	✓	✗	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓
Respondent 5	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 7	✓	✓	✗	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓
Respondent 9	✗	✗	✗	✗	✗	✓	✓	✓	✓	✗	✓	✓	✗

The Second Governance Standard: Financial Stability

The Second Governance Standard: Financial Stability										
Scope	Financial Performance					Financial Regulation				
Indicator	The proportion of program and activities expenses	The proportion of administrative expenses	The ability to cover future financial obligations	The proportion of fundraising and donations expenses	The proportion of financial sustainability from Waqf and investments	Commitment of the organization to prepare and activate the financial policies	Commitment of the organization to prepare its organizational structure and determine its financial capabilities and competencies	Commitment of the organization to the regulations and controls regulating its financial and accounting procedures	Commitment of the organization to the regulations and controls governing records and documents	Commitment of the organization to prepare the required periodic reports and submit them to the relative Ministry within the specified periods
Respondent										
Respondent 2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 4	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 5	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Respondent 9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

The Third Governance Standard: Transparency, Disclosure, and Accountability						
Scope	Publishing and Disclosure			Evaluation and Accountability		
Indicator Respondent	Publishing the authenticated systems, regulations, and policies and make them available to the stakeholders	Disclosing the information of the responsible people at the organization and publishing the information about the organization, its branches, and its offices	Publishing the organizations' objectives and reports of the implemented programs and activities at all its branches and offices	Preparing and publishing the audited financial statements and getting them approved by the Board of Directors	Preparing and publishing the comprehensive model approved by the Board of Directors, consistent with the reality of the organization	Evaluating and improving performance and obtaining feedback from stakeholders
Respondent 2	✓	✓	✓	✓	✓	✓
Respondent 3	✓	✓	✓	✓	✓	✓
Respondent 4	✓	✓	✓	✓	✓	✓
Respondent 5	✓	✓	✓	✓	✓	✓
Respondent 7	✓	✓	✓	✓	✓	✓
Respondent 9	✓	✓	✓	✓	✓	✓

Source: Author's own (collected from several official documents in Direct Aid Society)

As shown in Table 5.1, Respondents 2, 3, 4, 5, 7, and 9 agreed that each indicator of the second and third standards of good governance are positively impacted by the usage of the FinTech tools of crowdfunding and digital payment, thus confirming the positive relationship between FinTech usage and good governance practices in Direct Aid Society. Only respondents 3 and 5 agreed that all the indicators of the first governance standard are positively impacted by FinTech. Respondents 2, 4, 7, and 9 mentioned that there are some governance indicators under the first governance standard that are not impacted by the FinTech tools as shown in Table 5.1 remarked with a false sign (✗). In the following section, the findings of this research are discussed after elaborating the literature review and analyzing the respondents' opinions.

5.7 FINDINGS OF THE STUDY

To make the findings more systematic and easier to identify, the researcher developed four main themes which were further divided into 13 sub-themes to categorize the findings. Table 5.2 lists these themes and sub-themes:

Table 5.2 List of the Themes and Sub-themes

No.	Main themes	Sub-themes
1	Role of good governance in Islamic social finance institutions.	1- Implications of practicing good governance in Islamic social finance institutions 2- The application of good governance in Direct Aid Society 3- Role of governance on Direct Aid Society' institutional performance 4- Role of governance on Direct Aid Society' stakeholder protection
2	Role of using FinTech tools (crowdfunding and digital payment) in Islamic social finance institutions.	1- Implications of using FinTech tools in Islamic social finance institutions 2- The usage of FinTech tools in Direct Aid Society 3- Role of using FinTech tools on Direct Aid Society' institutional performance 4- Role of using FinTech tools on Direct Aid Society' stakeholder protection

No.	Main themes	Sub-themes
3	Issues and challenges facing the adoption of good governance in Islamic social finance institutions.	1- Issues of good governance application in Islamic social finance institutions 2- Issues of good governance application in Direct Aid Society 3- Overcoming the issues of good governance application in Direct Aid Society
4	Impact of using FinTech tools on the practice of good governance in Islamic social finance institutions.	1- Financial Stability 2- Transparency, Disclosure and Accountability

Source: Author's own

The four main themes and their sub-themes represent the findings for RQ1, RQ2, RQ3, and RQ4, i.e., regarding the role of good governance practices in Islamic social finance institutions, the impact of using FinTech tools (crowdfunding and digital payment) in Islamic social finance institutions, the issues and challenges facing the adoption of good governance in Islamic social finance institutions, and the impact of using FinTech tools on the practice of good governance in Islamic social finance institutions, all from the perspective of the respondents.

5.7.1 Role of Good Governance Practices in Islamic social finance institutions

This section answers RQ1 by addressing RO1. In this regard, in order to understand the function of applying good governance practices in Islamic social finance institutions and Direct Aid Society, the researcher developed four sub-themes. The first sub-theme justifies the need for a robust application of good governance in Islamic social finance institutions as mentioned by the World Bank (2005) and Wanyama (2014). The second, third, and fourth sub-themes focus on the application of good governance in Direct Aid Society, its impact on institutional performance, and its impact on stakeholder protection, respectively. In the following section, each sub-theme is elaborated.

5.7.1.1 The Necessity of Practicing Good Governance in Islamic Social Finance Institutions

The practice of good governance is required more in Islamic social finance institutions than any other sectors due to the setup of its core structure. Islamic social finance institutions raise funds to undertake activities and the beneficiaries are not the fund providers; the beneficiaries do not have the capacity to ask for accountability, and there is no connection between the beneficiary and the fund provider except if the latter asks for one (Wanyama, 2014). Likewise, a majority of the respondents agree on the necessity for good governance in Islamic social finance institutions. They mentioned that anything related to Islam is extremely crucial, and that any acts of corruption or abuse will not only harm the institution, but also Islam entirely. The following are the main findings regarding the necessity to practice good governance in Islamic social finance institutions.

1. The application of good governance in Islamic social finance institutions is a part of the teachings of Islam. One of the main core objectives of Islam is elevating ethics (*Akhlaaq*) and the highest level of governance is the *Akhlaaq* which is basically honesty and integrity.
2. The adoption of governance is highly needed in Islamic social finance institutions to enhance stakeholder interests including that of the beneficiaries, donors, mentors' authorities, or general assembly members, which in turn would positively affect the reputation of Islamic social finance institutions.
3. The action of publishing periodic administrative, financial, and other reports increases the level of transparency and disclosure in Islamic social finance institutions.
4. The practices of good governance in Islamic social finance institutions facilitate and accelerate the auditing and supervision processes, and they are not a restriction to institutions and employees.

5. Commitment to the charter and by-laws in Islamic social finance institutions is considered the first step towards the application of a good governance system.

5.7.1.2 The Application of Good Governance in Direct Aid Society

The progression of the implementation of robust governance standards in Direct Aid Society has evolved through successive stages, culminating in the issuance of a governance guide and the inaugural assessment of governance performance in 2020. Subsequently, in response to evolving regulatory frameworks in The State of Kuwait and with the aim of enhancing adherence to governance norms, the application of good governance practices has undergone iterative refinement over the ensuing years. The following are the main findings regarding the practice of good governance in Direct Aid Society over the last three years.

1. There is a difference between good governance practices and having a good governance system or guide. Direct Aid Society initiated several important good governance practices way before issuing the first governance guide in 2020.
2. Following any national or international standards related to quality management or institutional excellence helps significantly in building a good governance system for any institution. Likewise, Direct Aid Society has begun to fulfill the requirements of obtaining the institutional excellence rating from the European Foundation for Quality Management, particularly those related to good governance. Hence, European Foundation for Quality Management has been very supportive of Direct Aid Society' effort to build a governance system.
3. In terms of the non-compulsory application of governance, any governmental initiatives and guidelines encouraging the practice of good governance are very crucial in the building of governance systems or guides, especially in the initial stages.

4. Taking advantage of the best practices of good governance is a very essential step, especially from the examples in the same region. Direct Aid Society benefited from the good governance standards of the non-for-profit sector in the Kingdom of Saudi Arabia and other regimes such Malaysia and the United Kingdom, while taking into consideration the related legislation in The State of Kuwait.
5. Building a clear measurement of governance must be planted in order to develop the usage of governance yearly.
6. The result of governance measurement in the first year is normally unsatisfactory.
7. Gradual implementation and development are important, especially in institutions with branches or representative offices overseas.

5.7.1.3 Role of Governance on Direct Aid Society' Institutional Performance

The implementation of good governance practices in Direct Aid Society has yielded a discernible positive impact on its institutional performance. In 2021, Direct Aid Society attained a 3-star excellence rating from the European Foundation for Quality Management (EFQM). Remarkably, this notable achievement was realized within a relatively brief period of just one year subsequent to the adoption of good governance in Direct Aid Society. The following are the main findings regarding the impact of practicing good governance on Direct Aid Society' institutional performance.

- 1- The adoption of good governance encourages the executive management to establish procedural guides, charters, and policies for all divisions and units in Direct Aid Society. It also encourages a strong connection between the management and divisions, which consequently enhances Direct Aid Society' institutional performance.

- 2- The adoption of good governance encourages Direct Aid Society to appoint skillful executive leaders and deal with the Big Four audit firms.
- 3- The application of good governance eradicates individual decisions, especially those related to the use of money and strategic decisions, therefore reducing the occurrence of grave mistakes and misuse of power. It also helps in attaining the best value for all stakeholders.
- 4- The implementation of good governance practices entails the establishment of a structured matrix of powers and responsibilities, thereby demarcating distinct realms of authority between the board of directors and the executive management in their utilization of their powers.
- 5- The adoption of good governance increases the accuracy of the internal audit system, and the documentation processing accuracy becomes more systematic.
- 6- The practice of good governance helps in maintaining quality donors and raises their trust, as well as helps in increasing the institution's growth.

5.7.1.4 Role of Governance on Stakeholder Protection in Direct Aid Society

The practice of good governance in Direct Aid Society exerts a notable influence on stakeholders encompassing donors, beneficiaries, regulatory bodies, employees, and the board of directors. The positive impact of applying good governance on the protection of stakeholders in Islamic social finance institutions is rather significant because donors mostly do not have contact with the beneficiaries. Therefore, the rights of donors and beneficiaries should be truly protected by the practices of good governance. The following are the main findings regarding the impact of practicing good governance on stakeholder performance in Direct Aid Society.

1. For donors, all their donations are recorded and documented, and they have the right to refund their donations easily whenever needed.

2. Some of the governance indicators require certain guaranteed procedures, such as quality actions, maintenance, and sustainability processes in order to protect stakeholders' rights.
3. For beneficiaries, they are mostly involved in the evaluation process of the conducted projects and activities by filling up surveys to measure their satisfaction as part of the governance requirements.
4. The beneficiaries' rights are protected by conducting feasibility studies before each project, documenting the projects' execution, and measuring the social impact before and after the project.
5. For suppliers and partners, the application of good governance guarantees the announcement of all work tenders in the form of a public invitation.
6. The necessity of reviewing and documenting all contracts with the suppliers and partners from *Shari'ah* and legal perspectives protects their rights as well as the institutions'.
7. For the employees, their tasks and responsibilities are fully clarified and documented, and access to the KPIs is open to every employee. Therefore, the employee's performance, volume of tasks, and quality of work are traceable in order to protect their rights.
8. All regulations and guidelines related to employees are published and accessible on an internal platform as a part of the internal transparency requirements.
9. For supervisory bodies, sending administrative and financial reports quarterly to the supervisory authorities eases the supervision process significantly.
10. The application of good governance in Direct Aid Society has activated the complaints and reporting system, which in turn enhances stakeholder

engagement and protection, as well as eases the early identification of problems.

5.7.2 Role of Using FinTech Tools in Islamic Social Finance Institutions

Under this second theme, the researcher answers RQ2 by addressing RO2. In order to understand the functions of FinTech tools (crowdfunding and digital payment) in Islamic social finance institutions and Direct Aid Society, the researcher developed four sub-themes. The first sub-theme justifies the use of FinTech tools in Islamic social finance institutions. The second, third, and fourth sub-themes focused on the usage of FinTech tools in Direct Aid Society, its impact on institutional performance, and its impact on stakeholder protection. In the following section, each sub-theme is discussed deeply.

5.7.2.1 The Implications of Using FinTech Tools in Islamic social finance institutions

The utilization of FinTech tools in Islamic social finance institutions notably enhances transparency, enables the documentation of fundraising procedures, eases and simplifies the fundraising process, reduces associated costs, and fosters engagement with all stakeholders particularly fund providers. The following are the main findings regarding the implications of using FinTech tools in Islamic social finance institutions.

1. The use of FinTech facilitates financial governance in the aspects of receiving and spending money in Islamic social finance institutions, especially with countries that prohibit cash donations.
2. The use of FinTech enhances the stability of financial transactions by preventing recurring mistakes.
3. The use of crowdfunding increases the volume of donations and the number of donors, in addition to facilitating and accelerating the donation process.

4. Advanced digital payments enable the setup of an auto donation feature called recurring donation.
5. The use of FinTech enables the participation of small donors.
6. The use of crowdfunding enhances the documentation of all donation processes, which in turn helps in understanding donors' behavior, therefore creating new projects to meet the donors' needs and increase the level of engagement with them.
7. The use of digital payment in Islamic social finance institutions enables donation traceability and therefore prevents corruption and money laundering.
8. Digital payment enables the usage of many payment methods including e-wallets, local and international payment gates, and auto deduction, therefore facilitating the donation process and reducing donation cost.
9. The use of FinTech tools increases the levels of transparency, trust, and disclosure in Islamic social finance institutions.

5.7.2.2 The Usage of FinTech Tools in Direct Aid Society

The integration of FinTech tools in Direct Aid Society has undergone progressive developments across multiple stages and is still continuing. The adoption of FinTech tools helps increase, facilitate, and accelerate donations, as well as reduce the cost of donation. At the same time, it increases the levels of transparency, trust, and disclosure in Direct Aid Society. The following are the main findings regarding the usage of FinTech tools in Direct Aid Society.

1. Developments on the user interface of the crowdfunding platform have enhanced user experience and the deep understanding of donors' behavior, on top of increasing donations in a short period of time.

2. The establishment of a built-in e-wallet on the website-based crowdfunding platform and mobile applications helped in mitigating the issue of overloading during major campaigns. It also accelerated, eased, and increased Direct Aid Society's donation, and reduced the cost of donation.
3. The adoption of the crowdfunding system in Direct Aid Society has not been fully executed. This is because crowdfunding requires the donors to be connected directly to the beneficiaries and thus reduces the need for intermediaries. In Direct Aid Society, however, donors cannot contact beneficiaries directly, except when the donors ask to do so.
4. The diversification of payment gates, both national and international, helped in addressing a huge number of donors.
5. The more the digital donations, the less the cost of donation.

5.7.2.3 Role of Using FinTech Tools on Direct Aid Society' Institutional Performance

The usage of FinTech tools in Direct Aid Society has significantly improved its institutional performance in terms of enhancing trust, transparency, and disclosure as well as the accuracy of its financial information and the prompt issuance of its financial reports. The following are the main findings regarding the impact of using FinTech tools on Direct Aid Society' institutional performance.

1. The transactions of all donations are documented, therefore enhancing the level of transparency, trust, and disclosure in Direct Aid Society.
2. Diversity in revenue is increased due to better donation accessibility from outside of The State of Kuwait, thus increasing Direct Aid Society' financial sustainability.
3. Many new features on the crowdfunding platform have been launched in the last 5 years such as auto-donation, project wish list that enables donors to

“choose now and donate later”, a children donation project with gamification features, and AI donation. These tools help ease, increase, and accelerate donations.

4. The high dependency on receiving 80% of the total donation from five branches in The State of Kuwait is now reduced to only around 15%; the rest of the donation is received from Direct Aid Society’ website-based crowdfunding platform.

5.7.2.4 Role of Using FinTech Tools on Stakeholder Protection in Direct Aid Society

The use of the FinTech tools of crowdfunding and digital payment impacted Direct Aid Society’ stakeholders including donors, beneficiaries, regulators, and employees in different aspects. These tools help prevent corruption such as money laundering and theft, on top of ensuring the best use of resources, which in turn supports stakeholder protection. The usage of FinTech tools also creates cybersecurity issues, which in turn negatively affects stakeholder protection. The following are the main findings regarding the impact of using FinTech tools on stakeholder protection in Direct Aid Society.

1. Donors can make donations and obtain progress reports of their projects easily and accurately without visiting the branch, thus saving their effort and time.
2. FinTech improves donation traceability, making it easier for donors to track their transactions, i.e., whether they are accepted, rejected, refunded, cancelled, or replaced.
3. Through the crowdfunding platform, donors can contact their beneficiaries to get the relevant updates, therefore easing the measurement of social impact and increasing the aspects of trust and transparency.

4. Donors can easily check the overhead expenses such as operation and administrative costs or percentages at any time from the published audited financial reports available on the crowdfunding platform.
5. The use of e-wallets reduces the cost of donation in terms of the commission charged by the intermediary company at the payment gates. Therefore, the deducted percentage from the donation is reduced, and donors feel more satisfied and protected.
6. Similarly, the usage of digital payments helps in protecting the beneficiaries' rights as the disbursement percentage on projects increased due to reduced donations costs.
7. Employees' mistakes are significantly reduced whilst their tasks and actions are properly recorded and documented. This eases follow-up measures and improves the quality of their work.
8. All the FinTech tools used by Direct Aid Society are recorded and documented, thus fulfilling its compliance and commitment to the Ministerial Decision No. (28/A) of 2016 which obliges all social finance institutions to receive their donations digitally. From another aspect, the recording and documenting of all donation transactions eases and accelerates the supervisory authorities' work, making it more accurate.

5.7.3 Issues and Challenges Facing the Adoption of Good Governance in Islamic Social Finance Institutions

Under this third theme, the researcher answers RQ3 by addressing RO3. In order to understand the issues and challenges related to good governance adoption in Islamic social finance institutions in general and Direct Aid Society in particular, the researcher developed three sub-themes. The first sub-theme is to identify issues and challenges of the application of good governance in Islamic social finance institutions. The second sub-theme is to identify the issues and challenges of governance adoption in Direct Aid

Society. The third sub-theme is to identify how Direct Aid Society addresses the issues and challenges of good governance application. In the following section, each of the sub-themes is discussed.

5.7.3.1 Issues of Good Governance Application in Islamic Social Finance Institutions

The implementation of good governance in Islamic social finance institutions encounters various challenges stemming from the distinctive characteristics inherent to these institutions, their employees, and board of directors, alongside the regulatory framework overseeing Islamic social finance institutions. The following are the main findings regarding the issues and challenges in good governance adoption in Islamic social finance institutions.

1. There is a misconception among social finance institutions about the application of good governance, i.e., that it obstructs workflow, and that it is not necessary.
2. There are many administrative procedures for the application of good governance in Islamic social finance institutions which slow down the decision-making process.
3. The lack of good governance commitment from the supervisory bodies weakens its practice.
4. The regulatory authorities of Islamic social finance institutions in The State of Kuwait are still discussing the importance of committing to the application of good governance.
5. There are no frameworks for organizing the application of good governance in The State of Kuwait, except for some practices of governance by the Ministry of Social Affairs.

6. There is a lack of awareness among employees in Islamic social finance institutions regarding the objectives and importance of governance practices.
7. There is a lack of governance experts in the social finance industry in The State of Kuwait.
8. Generally, the internal audit system in Islamic social finance institutions is not mature enough, and most of Islamic social finance institutions in The State of Kuwait do not have an internal audit system.
9. The high financial cost of applying good governance in Islamic social finance institutions obstructs its practice, especially with small institutions where creating detailed regulations and instructions as well as monitoring such instructions by assigning experts and hiring new skilled employees are highly costly.
10. The volunteer work of the board of directors negatively affects the application of good governance in Islamic social finance institutions.

5.7.3.2 Issues of Good Governance Application in Direct Aid Society

Direct Aid Society implements good governance standards in a manner that safeguards the collective interests of the public rather than individual interests. It adheres to governance practices that are aligned with the societal context and prioritizes the protection of stakeholders. The following are the main findings regarding the issues and challenges of good governance adoption in Direct Aid Society.

1. Lack of awareness among Direct Aid Society employees regarding the enhanced administrative procedures and processes, which they consider negatively as restrictions and supervision on their work.
2. Convincing Direct Aid Society' board of directors of the importance of adopting good governance took a long time.

3. The embarrassment of evaluating the board members who work voluntarily in Direct Aid Society, especially because some of them are ex-ministers.
4. The social finance industry in The State of Kuwait is very sensitive, thus causing a delay in the disclosure and publishing of Direct Aid Society' financial information for about four years. This is due to the expected consequences of the disclosure, such as negative attacks by the media and other skepticism campaigns that would negatively affect Direct Aid Society' reputation.
5. Direct Aid Society is a well-known institution, and all its stakeholders consider it a leading institution in the social finance industry in the Gulf and Middle East area. This has caused a delay in its application of good governance practices, as it needed to mindfully and meaningfully respond to all comments about its published information on the website.
6. There are difficulties in applying good governance in all 30 Direct Aid Society branches in Africa and Yemen as each country has its own regulations and laws.
7. The application of good governance in The State of Kuwait is not compulsory; therefore, many governance actions are controversial and led to complicated negotiations within Direct Aid Society' governance committee.

5.7.3.3 Addressing the Issues of Good Governance Application in Direct Aid Society

Direct Aid Society has successfully navigated numerous challenges associated with the implementation of good governance, particularly during the initial stages. However, certain ongoing issues remain to be addressed, including the formulation of comprehensive policies and procedural guides, as well as charters for certain units within Direct Aid Society. The following are the main findings:

1. Approaching governance experts, especially those who are aware of the Islamic social finance industry, as they participated effectively in raising the awareness among employees, managers, and board of directors.
2. Conducting workshops and trainings are very helpful in building a clear vision to establish a governance guide and for drawing indicators, scopes, and questions of the governance guide.
3. There is a necessity to form a governance committee affiliated with the board of directors from outside the executive management to ensure the quality and accuracy of good governance applications in Direct Aid Society.
4. There is a necessity for continued encouragement from the board of directors to motivate the executive management and employees to adopt governance as it is a part of worshipping Allah, and to spread this culture among employees and leaders.
5. There is a necessity to build a connection with the regulatory bodies in The State of Kuwait in respect to the application of good governance, which improves transparency and support from the regulatory authorities to Direct Aid Society towards enhancing its application of governance.
6. Establishing a continuous improvement system for employees to participate in improving the application of governance is a very effective means used by Direct Aid Society in effectively addressing governance issues and implementation challenges.
7. Establishing collaborative teams comprising employees, departmental leaders, and managers, as opposed to closed committees, fosters an environment conducive to communication and the exchange of viewpoints. This approach facilitates and enhances the implementation of good governance practices through collective input and consensus-building.

5.7.4 Impact of Using Fintech Tools on the Practice of Good Governance in Islamic Social Finance Institutions

For this fourth theme, the researcher answers RQ4 by addressing RO4. This relationship was derived from the literature review and confirmed by the respondents. In addition, the researcher developed two sub-themes: the first discusses the impact of FinTech tools usage on financial stability whilst the second identifies and discusses the impact of using FinTech tools on transparency, disclosure, and accountability.

5.7.4.1 Financial Stability

This second standard was found to be impacted positively by the usage of the FinTech tools of crowdfunding and digital payment. The following are the main findings:

1. The usage of crowdfunding and digital payment reduces the cost of donations and administrative expenses, which are the indicators of the second governance standard applied in Direct Aid Society.
2. FinTech tools enhance financial stability by increasing donations, especially unrestricted donations such as Sadaqa Jariyah and waqf.
3. The increased donation collected via the FinTech tools covered 100% of Direct Aid Society' budget, even with the continued increase of the annual budget.
4. The increased donation collected via the FinTech tools enhanced the performance of the indicators under the financial stability standard applied in Direct Aid Society. These indicators include the ability to cover future financial obligations and the proportion of financial sustainability from Waqf and investments.

5. Six respondents out of 10 confirmed that every applied indicator of the financial stability standard applied in Direct Aid Society is positively affected by the usage of crowdfunding and digital payment.

5.7.4.2 Transparency, Disclosure and Accountability

The third good governance standard applied in Direct Aid Society, i.e., transparency, disclosure and accountability is positively affected by the usage of the FinTech tools of crowdfunding and digital payment. The following are the main findings regarding this relationship.

1. The FinTech tools used in Direct Aid Society enhances donor engagement due to the full accessibility given to donors to visit the website crowdfunding platform at any time to check their donation status and progress of the donated projects, which in turn increases trust and accountability.
2. The level of transparency is not optimal enough as donors cannot connect immediately with beneficiaries, except when the donors contact Direct Aid Society first to connect them with the beneficiaries.
3. The usage of FinTech tools guarantees neutrality in the application of good governance, which raises the level of transparency and accuracy of the good governance practices in Direct Aid Society.
4. The use of FinTech tools improves the performance assessment of donation processing and feedback attainment from the stakeholders of Direct Aid Society, which in turn enhances the level of transparency, trust, and disclosure, and ultimately positively impacting the application of good governance.
5. The use of FinTech tools helps increase the level of disclosure in terms of the publishing of Direct Aid Society' annual reports, objectives, charter, and

by-laws as well as the governance guide on the website crowdfunding platform.

6. Usage of the digital payment gates in Direct Aid Society helps in recording and documenting all donation transactions, which enhances the accuracy of disclosure and accountability, therefore easing and accelerating the supervision process.
7. On top of that, six respondents out of 10 confirmed that every applied indicator of the third governance standard of Transparency, Disclosure, and Accountability in Direct Aid Society is positively affected by the usage of the FinTech tools of crowdfunding and digital payment.

In short, the positive impact of FinTech on the practice of good governance in Islamic social finance institutions in general and Direct Aid Society in particular was confirmed by the respondents. Likewise, the literature review revealed a similar finding, i.e., that there is a positive relationship between FinTech usage and good governance practices in Islamic social finance institutions which results in enhanced levels of transparency, trust, disclosure, accountability, and financial stability. Many studies had confirmed this positive impact albeit in the context of blockchain (Tapscott & Tapscott, 2016; Yermack, 2016; Bradley, 2017; Van der Elst & Lafarre, 2017; Yermack, 2017; Cygnetise, 2018; Haque, 2018; Singh et al., 2020). This current study found the same positive relationship but in the context of crowdfunding and digital payments.

5.8 CHAPTER SUMMARY

This chapter answered the four research questions by discussing the perception of the respondents on the four main aspects. The first one is on the implications of practicing good governance in Islamic social finance institutions in general and Direct Aid Society in particular. The second aspect is on the usage of the FinTech tools of crowdfunding and digital payment in Islamic social finance institutions and Direct Aid Society. The third aspect is on the related governance issues in Islamic social finance institutions and Direct Aid Society. The final aspect is on the impact of using FinTech tools on the

practice of good governance in Islamic social finance institutions and Direct Aid Society. This study ultimately found a positive relationship between the usage of FinTech tools and the practice of good governance in Direct Aid Society, especially with the second and third good governance standards. The following chapter presents the conclusion of this research along with some relevant recommendations.



CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This study discusses the role of good governance in Islamic social finance institutions, especially those that practice general charity, waqf, and Zakat. It also discusses the role of FinTech tools in Islamic social finance institutions in general and in the case study of Direct Aid Society in particular. Subsequently, the study deliberates on the issues and challenges in implementing good governance practices in Islamic social finance institutions in order to identify the role of FinTech tools, specifically crowdfunding and digital payments, in addressing those issues and challenges. Lastly, the study explores the impact of using FinTech tools on the practice of good governance in Islamic social finance institutions by conducting a literature review and in-depth interviews with governance and FinTech experts from inside and outside of Direct Aid Society. A summary of the study is presented in the next section, followed by some recommendations and implications for further studies.

6.2 SUMMARY

This study primarily sets out to examine the adoption of good governance standards in the third sector of non-for-profit organizations in general and the social finance industry in particular, which are confronted by many challenges in the aspects of transparency, disclosure, accountability, and financial stability. These issues mainly stem from the core structure of social finance institutions which is different from that of public and private institutions. Social finance institutions mostly raise funds to undertake projects and activities, and of which beneficiaries are not the fund providers. Additionally, the beneficiaries do not have the capability to ask for accountability, and there is no connection between the beneficiary and the fund provider except for when the latter wants to track the progress of their fund and interact with the beneficiary. Meanwhile, the use of FinTech tools by their nature enhances transparency, trust, and disclosure as

well as eases accountability. Therefore, there is a need to explore the relationship between the usage of FinTech tools and the practice of good governance.

To achieve this objective, in Chapter Two the study examined the role of good governance in the Islamic social finance industry in relation to the three main tools of charity work in general, waqf, and zakat. It was found from the literature that the adoption of good governance in Islamic social finance institutions is generally the same as in the public and private sectors, i.e., there is a clear distinction between the executive management of the organization and its board of directors, as well as a clear and transparent process for the distribution of decision-making powers. There are also transparent internal systems of checks and balances which ensure that the public's interest is addressed. However, the practice of good governance in Islamic social finance institutions is hindered by several issues resulting from the lack compliance, trust, accountability, and transparency, which ultimately reduces stakeholder protection. Meanwhile, FinTech by its nature has been broadly proven to improve the levels of transparency, trust, disclosure, accountability, and financial stability.

In this regard, the study proceeded to discuss the usage of FinTech tools in Islamic social finance institutions including not-for-profit organizations, waqf, and zakat institutions. It was found that the usage of FinTech tools helps in increasing fundraising transactions, the volume of donations, the trust in the Islamic social finance institutions, and ultimately stakeholder protection. It also helps in enhancing transparency and accountability in the Islamic social finance institutions, which is an opening towards identifying the impact of FinTech tools usage on the practice of good governance. Accordingly, the study examined the relationship between FinTech and good governance, which was revealed to be positive especially in relation to the FinTech tool of blockchain. Subsequently, the focus shifted to the case study of Direct Aid Society to investigate the relationship between the FinTech tools of crowdfunding and digital payments and the practice of good governance.

In Chapter Three, the study elaborated on the selected research methodology of qualitative research as a means for answering the research questions. This study adopted the single case study approach to evaluate the practices of good governance and usage

of FinTech tools in Direct Aid Society. The retrospective case study approach was employed to gain a deeper understanding of good governance and FinTech based on their historical applications and usage. In this regard, the researcher conducted multiple data collection methods including library research, official document analysis, and interviews with leaders who witnessed the application of good governance and others who developed the use of FinTech in Direct Aid Society. The researcher interviewed a total of 10 respondents including external governance experts and regulators in this regard.

In Chapter Four, the researcher undertook an in-depth examination of the organizational dynamics within Direct Aid Society, focusing on its adherence to the principles of effective governance and its usage of FinTech tools within its operational framework. Also examined was their implications for the execution of projects and the organizational hierarchy. Additionally, the chapter presented an overview of the historical evolution of Direct Aid Society, its projects, activities, and financial performance covering the period from 2020 to 2022. This is coupled with an assessment of its good governance standards application over the same period, which was revealed to be 98.5% out of the total good governance standards assessment in 2021 and 2022. Moreover, the researcher found that – based on his personal experience as a chief marketing specialist in Direct Aid Society – there is a limited relationship (27%) between the applied FinTech tools and the good governance standards implemented in Direct Aid Society. It is noteworthy that Direct Aid Society is one of the leading institutions in the Gulf and Middle East region and was the first institution that adopted good governance standards in the social finance industry in The State of Kuwait. In addition, it obtained a 3-star institutional excellence rating from the European Foundation for Quality Management (EFQM) after only one year of practicing good governance standards.

In Chapter Five, the study presents the findings based on the thematic analysis approach which was supported by the six-step method to ensure a more accurate analysis. The answers to research questions one, two, three, and four were presented in four sections; each section discussed one main theme derived from the data collected. The first section analyzed and discussed the data on the role of good governance in

Islamic social finance institutions and Direct Aid Society to answer research question one. It was found that good governance practices significantly contribute to the institutional performance – specifically administrative performance – of Islamic social finance institutions in general and Direct Aid Society in particular. In addition, good governance standards elevate the protection of stakeholders including beneficiaries, donors, suppliers, partners, supervisory bodies, and employees. The second section analyzed and discussed the data on the role of FinTech in Islamic social finance institutions and Direct Aid Society to answer research question two. It was found that FinTech usage significantly affects the institutional performance – specifically administrative and financial performance – of Islamic social finance institutions in general and Direct Aid Society in particular. Additionally, it was found to elevate the protection of stakeholders including beneficiaries, donors, suppliers, partners, supervisory bodies, and employees. The third section analyzed the data on the issues and challenges faced by Islamic social finance institutions and Direct Aid Society in adopting good governance to answer research question three. Among the issues and challenges identified are misconceptions about the application of good governance in Islamic social finance institutions, the excessive adoption of administrative procedures, the lack of awareness among employees in Islamic social finance institutions and Direct Aid Society regarding the objectives and importance of good governance adoption, the lack of a supervisory framework for good governance application in The State of Kuwait, and the high financial cost of adopting good governance in Islamic social finance institutions. For Direct Aid Society, implementing good governance in all its branches located in 30 African countries and Yemen is challenging because each country has its own regulations and laws. Moreover, the adoption of good governance in The State of Kuwait is not mandatory, rendering many governance actions as controversial and resulting in complicated negotiations among the governance committee in Direct Aid Society. The researcher also analyzed and discussed how these issues and challenges were addressed such as by approaching governance experts, implementing workshops and trainings, and building a connection with the regulatory bodies to enhance the application of good governance. Finally, the researcher analyzed and discussed the impact of using FinTech tools on the practice of good governance in Direct Aid Society to answer research question four. It was found that the second good governance standard, i.e., financial stability is positively impacted by the usage of

FinTech tools (crowdfunding and digital payment) in the context of Direct Aid Society, as fully agreed by the respondents. Similarly, the third good governance standard, i.e., transparency, disclosure, and accountability is also positively impacted by the usage of FinTech tools (crowdfunding and digital payment) in Direct Aid Society, as fully agreed by the respondents. Meanwhile, the first good governance standard, i.e., compliance and commitment is not positively impacted by the FinTech tools applied by Direct Aid Society, as fully agreed by the respondents.

6.3 RECOMMENDATIONS

The study provides some recommendations which could help in improving the adoption of good governance and ultimately enhancing stakeholder protection in Islamic social finance institutions via the usage of FinTech tools. In this regard, the recommendations are divided into two sections as follows:

- (i) Section one: recommendations for Islamic social finance institutions
 1. Regulatory authorities should develop comprehensive guidelines for clarifying the application of good governance standards and indicators, as well as elucidating how the usage of FinTech tools can ease and accelerate the adoption of good governance in Islamic social finance institutions.
 2. Regulatory authorities must differentiate between Islamic social finance institutions that are already in a mature stage and the ones in the initial stage of applying good governance standards.
 3. Smaller Islamic social finance institutions can start by applying some good governance standards based on their charter and by-laws, building an organizational structure, and taking into account the related regulations and laws. These steps can pave the way for them in applying a robust good governance system in the future.

4. Regulatory authorities should develop specific governance indicators for enabling financial sustainability in Islamic social finance institutions in order to strengthen their financial stability and sustain their social impact.
5. The regulatory authority of The State of Kuwait's Islamic social finance industry should establish a common purchasing platform to enhance the protection of the related suppliers who are the key stakeholders. In addition, it could increase the industry's level of transparency, trust, disclosure, and accountability as well as maintain its reputation.
6. Each Islamic social finance institution based in a non-mandatory regime of the application of governance can set their own noble goals and motivation for applying governance. This may include resisting skeptical attacks, enhancing the level of trust and transparency for their stakeholders, increasing donations, and achieving financial stability and sustainability.
7. A financial sustainability unit should be established at each mature Islamic social finance institution by leveraging on advanced FinTech tools to generate new sources of income.
8. Conferences should be conducted for Islamic social finance institutions as a platform for exchanging experiences regarding the application of good governance and for encouraging institutions that have not yet applied good governance, by leveraging on the usage of FinTech tools.
9. The application of good governance standards must be implemented gradually by both regulatory authorities and the related Islamic social finance institutions.
10. Establishing an internal audit unit in Islamic social finance institutions is highly recommended in order to audit all the activities of the executive management, especially the internal control systems.

11. Appointing skillful and experienced leaders in Islamic social finance institutions as an application of good governance is very related to the leadership concept. This is what Direct Aid Society did in recent years at the beginning and during the application of good governance and must be continued.

(ii) Sections two: recommendations for Islamic social finance institutions

12. Direct Aid Society should conduct workshops to benefit from the usage of FinTech tools in enhancing the application of the first good governance standard, i.e., commitment and compliance, just as the second (financial stability) and third (transparency, disclosure, and accountability) good governance standards had benefited from FinTech usage.

13. A dedicated unit for commitment and compliance should be established in Direct Aid Society and all Islamic social finance institutions to ensure compliance to all related regulations and laws.

14. A separate periodic good governance report should be issued by Direct Aid Society and social finance institutions that have already applied governance in order to update others in the same industry about the advanced practices of good governance and usage of FinTech tools that serve the industry. Such issuance would enhance stakeholder trust and transparency and sustain the reputation of the issuer and the social finance industry as a whole.

15. Direct Aid Society should apply more advanced crowdfunding system to directly connect donors with beneficiaries and subsequently enhance the levels of transparency, trust, and accountability for the stakeholders.

16. The advanced use of FinTech tools must be accompanied by continuous awareness of the updated cyber security systems. This can be achieved by organizing more conferences, dedicated workshops, and special training to address any unexpected electronic fraud or attacks. And Direct Aid Society

must have all the backend team of FinTech tools from inside Kuwait, and it is more advisable to have an in-house full-time team.

17. A dedicated governance unit should be established in Islamic social finance institutions in general and Direct Aid Society with the role of issuing periodic governance reports and monitoring all financial, administrative, and sustainability reports prior to their final approval.
18. An internal control system should be developed in Direct Aid Society and all Islamic social finance institutions to control all departmental operations and facilitate the internal audit, therefore strengthening the adoption of good governance.
19. Mandatory implementation of a good governance system should be accelerated in all social finance institutions in The State of Kuwait so that the country can sustain its global prominent reputation in the social finance industry.

6.4 RECOMMENDATIONS FOR FUTURE STUDIES

This study only focuses on one legal form of an Islamic social finance institution, i.e., the single case study of Direct Aid Society, a non-for-profit organization that provides many projects and programs to receive general Sadaqah, zakat, and waqf. Future studies should investigate microfinance, waqf, zakat, and Islamic social investment institutions to better understand the impact of using FinTech tools on the practice of good governance in Islamic social finance institutions.

Next, this study used the qualitative research method of conducting interviews with related leaders in the case study institution, one external governance expert, and one regulator from the supervisory body of the Ministry of Social Affairs in The State of Kuwait. Future studies can focus on conducting interviews with regulatory authority personnel and external governance experts. Future studies can also conduct surveys on FinTech and governance leaders as well as experts and regulators in Islamic social

finance institutions from different regions in the world to better understand the impact of FinTech on the practice good governance in the Islamic social finance industry.

In addition, this study only focused on two FinTech tools namely crowdfunding and digital payment in examining the relationship between FinTech tools usage and the application of good governance in Islamic social finance institutions. Future studies can discuss other FinTech tools such as blockchain, smart contracts, crypto currencies, and others. Finally, future studies can explore the impact of using artificial intelligence tools on the practice of good governance in the Islamic social finance industry.

6.5 CONCLUSION

The study explored the impact of using FinTech tools on the practice of good governance in Islamic social finance institutions and Direct Aid Society. It was concluded that the FinTech tools of crowdfunding and digital payment have a positive impact on the good governance standards applied in Direct Aid Society as a leading Islamic social finance institution in the Gulf and Middle East region. The researcher proved that the impacts of good governance standards and FinTech tools in Islamic social finance institutions are similar, i.e., that they enhance transparency, trust, disclosure, accountability, and financial stability. In addition, it was found that the issues and challenges identified in applying good governance in Islamic social finance institutions and Direct Aid Society can be addressed by using the FinTech tools of crowdfunding and digital payment. The researcher proved these positive impacts by analyzing and discussing the data collected from the respondents.

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ملتقى إعادة هيكلة القطاع الحكومي في إطار الفكر الإداري والمحاسبي والقانوني المعاصر.
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APPENDIX A

INTERVIEW QUESTIONS

No	Themes	Research Objectives	Interview Questions
1	Role of good governance at Islamic social finance Institutions.	To examine the role of adopting good governance at Islamic social finance institutions.	<p><u>Interview questions intended to answer RQ1.</u></p> <ul style="list-style-type: none"> - Why the application of good governance is important for Islamic social finance institutions? - What is the process of applying good governance at Direct Aid Society? - How does the practice of good governance improve Direct Aid Society's performance? - How would the practice of good governance enhance the protection of Direct Aid Society's stakeholders?
2	Role of using fintech at Islamic social finance Institutions.	To examine the role of using selected fintech tools at Islamic social finance institutions.	<p><u>Interview questions intended to answer RQ2.</u></p> <ul style="list-style-type: none"> - Why the application of the use of fintech is important for Islamic social finance institutions? - What is the process of using fintech (Crowdfunding and digital payments) at Direct Aid Society? - How does the use of fintech (Crowdfunding and digital payments) improve Direct Aid Society's performance? - How would the use of fintech (Crowdfunding and digital payments) enhance the protection of Direct Aid Society's stakeholders?

No	Themes	Research Objectives	Interview Questions
3	Issues and challenges facing the adoption of good governance at Islamic social finance institutions	To identify the issues and challenges facing the adoption of good governance at Islamic social finance institutions	<p><u>Interview questions intended to answer RQ3.</u></p> <ul style="list-style-type: none"> - What would be the obstacles that face the application of good governance at Islamic social finance institutions? - What would be the obstacles that face the application of good governance at Direct Aid Society? - How did Direct Aid Society avoid the obstacles of adopting good governance? - In your opinion, what would be the practice of good governance standards if the government commits Islamic social finance institutions in The State of Kuwait to adopt them?
4	The impact of using fintech tools on the practice of good governance at Islamic social finance institutions	To explore the impact of using fintech tools on the practice of good governance at Islamic social finance institutions	<p><u>Interview questions intended to answer RQ4.</u></p> <ul style="list-style-type: none"> - How the use of fintech (Crowdfunding and digital payments) would affect the application of good governance? - How do you see the impact of using fintech (Crowdfunding and digital payments) on the practice of good governance at Islamic social finance institutions? - How do you see the impact of using fintech (Crowdfunding and digital payments) on the practice of good governance at DirectAid Society? - How do you assess the impact of using fintech (Crowdfunding and digital payments) on the practice of good governance standards? (the answer in ✓ or ✗)