

ISLAMIC SOCIAL FINANCE INSTRUMENTS  
AS FINANCING MECHANISM FOR FEMALE  
ENTREPRENEURS IN COMOROS:  
AN EXPLORATORY STUDY

BY

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## ABSTRACT

Islamic Social Finance (ISF) comprises of financial instruments rooted in *Shariah* principles, including *zakat* and *waqf*. These instruments are designed to promote social justice, economic equity, and community welfare. Recognised as essential tools for sustainable development, ISF has gained popularity for its potential to alleviate poverty, reduce inequality, and foster inclusive economic growth, particularly in Muslim countries. However, in Comoros, where female entrepreneurs face challenges in accessing loans, such as collateral requirements, high interest rates, and short repayment periods, the role of ISF in supporting female economic empowerment remains unexplored. This research addresses the limited financial inclusion of female entrepreneurs in Comoros by examining Islamic social finance instruments, particularly *zakat* and *waqf*, as a financing mechanism for female entrepreneurs in Comoros. It also analyses the challenges faced by female entrepreneurs, assesses the extent to which *zakat* and *waqf* are utilised, explores their potential as financing tools, and subsequently proposes a financing model based on *zakat* and *waqf*. Employing a qualitative methodology, the study utilises three different data collection methods. Structured interviews with 32 female entrepreneurs shed light on their experiences and the challenges they faced in accessing loans in Comoros. Additionally, three focus groups comprising *zakat* and *waqf* experts offer an indepth understanding of these instruments and their potential in fostering inclusive economic development. A semi-structured interview with the *Kadi* of the largest city further contextualizes the discussion on *waqf*. Findings reveal that female entrepreneurs in Comoros face several challenges, including collateral requirements, high interest rates, stringent loan conditions, business type restrictions, and short repayment periods. Consequently, many female entrepreneurs rely on family or friends as their primary source of loans. Furthermore, while *zakat* and *waqf* are widely recognised in Comoros, their potential to contribute to socioeconomic development remains underutilised, as their application is largely confined to consumption purposes. This can be explained by a lack of awareness and the absence of structured frameworks for productive use. As a result, many female entrepreneurs turn to informal sources such as family and friends for financial support. However, the study demonstrates that *zakat* and *waqf* have the potential to serve as viable financing tools for female entrepreneurs, offering an alternative financial solution that aligns with their faith. Finally, this research proposes a financing model that integrates *zakat* and *waqf* funds with *Mudarabah* and *qard* contracts to facilitate access to financing for female entrepreneurs while addressing the challenges they faced. This research contributes to the literature by proposing a contextspecific financing model that uses *zakat* and *waqf* with *Mudarabah* and *qard* contracts to enhance financial access for female entrepreneurs. It emphasizes the transformative potential of Islamic social finance in promoting gender-inclusive economic development in Comoros and similar contexts.

## خلاصة البحث

التمويل الاجتماعي الإسلامي يشمل أدوات مالية مستمدة من مبادئ الشريعة الإسلامية، مثل الزكاة والوقف التي تهدف إلى تعزيز العدالة الاجتماعية، والإنصاف الاقتصادي، ورفاهية المجتمع. وتعد هذه الأدوات من الوسائل الأساسية لتحقيق التنمية المستدامة، وقد حظيت باهتمام نظرًا لقدرتها على التخفيف من حدة الفقر، والحد من التفاوت الاجتماعي، وتعزيز النمو الاقتصادي الشامل، لاسيما في الدول ذات الأغلبية المسلمة ومع ذلك، لا يزال دور التمويل الاجتماعي الإسلامي في تمكين المرأة اقتصاديا غير مستكشف في جزر القمر، حيث تواجه رائدات الأعمال تحديات كبيرة في الحصول على القروض، مثل متطلبات الضمانات وارتفاع أسعار الفائدة، وقصر فترات السداد. تهدف هذه الدراسة إلى معالجة محدودية الشمول المالي لرائدات الأعمال في جزر القمر من خلال دراسة أدوات التمويل الاجتماعي الإسلامي، وخاصة الزكاة والوقف، بوصفها آليات تمويل ممكنة. كما تحلل الدراسة التحديات التي تواجهها رائدات الأعمال، وتقيم مدى استخدام الزكاة والوقف، وتستكشف إمكاناتهما كأدوات تمويلية، وتقتراح في نهاية المطاف نموذجًا تمويليا مبنياً على الزكاة والوقف. اعتمدت الدراسة منهجية نوعية واستخدمت ثلاث وسائل مختلفة لجمع البيانات. أجريت مقابلات منظمة مع ٣٢ سيدة من رائدات الأعمال بهدف تسليط الضوء على تجاربهن والتحديات التي يواجهنها في الحصول على القروض في جزر القمر. كما نظمت ثلاث مجموعات تركيز ضمت خبراء في الزكاة والوقف، لتوفير فهم معمق لهذين النظامين ودورهما المحتمل في تعزيز التنمية الاقتصادية الشاملة. وأجريت مقابلة شبه منظمة مع قاضي المدينة الأكبر لتأطير النقاش حول الوقف ضمن السياق المحلي أظهرت النتائج أن رائدات الأعمال في جزر القمر يواجهن العديد من التحديات، منها متطلبات الضمانات وارتفاع أسعار الفائدة، وشروط القرض الصارمة، والقيود على نوعية الأنشطة التجارية وقصر مدة السداد. ونتيجة لذلك، تعتمد الكثيرات منهن على الأسرة أو الأصدقاء كمصدر رئيسي للتمويل. وعلى الرغم من أن الزكاة والوقف معروفان على نطاق واسع في جزر القمر، فإن إمكاناتهما في دعم التنمية الاقتصادية والاجتماعية لا تزال غير مستغلة بالشكل الأمثل، حيث يقتصر استخدامهما غالبًا على تلبية الحاجات الاستهلاكية. ويُعزى هذا إلى ضعف الوعي وغياب الأطر المنظمة التي تسهل توجيههما نحو استخدامات إنتاجية. ومع ذلك، تظهر الدراسة أن للزكاة والوقف إمكانية حقيقية لأن يكونا أدوات تمويل فعالة لرائدات الأعمال، مما يوفر بديلاً مالياً متوافقاً مع القيم الدينية. وفي الختام، تقترح الدراسة نموذجاً تمويلياً يدمج بين أموال الزكاة والوقف مع عقود المضاربة والقرض الحسن، لتسهيل حصول رائدات الأعمال على التمويل ومعالجة التحديات التي يواجهنها. وتسهم هذه الدراسة في إثراء الأدبيات العلمية من خلال تقديم نموذج تمويلي ملائم للسياق المحلي يعتمد على الزكاة والوقف إلى جانب عقود المضاربة والقرض الحسن، لتعزيز الوصول المالي لرائدات الأعمال. كما تؤكد على الإمكانات التحويلية للتمويل الاجتماعي الإسلامي في تعزيز التنمية الاقتصادية الشاملة القائمة على النوع الاجتماعي في جزر القمر وسياقات مماثلة.

## APPROVAL PAGE

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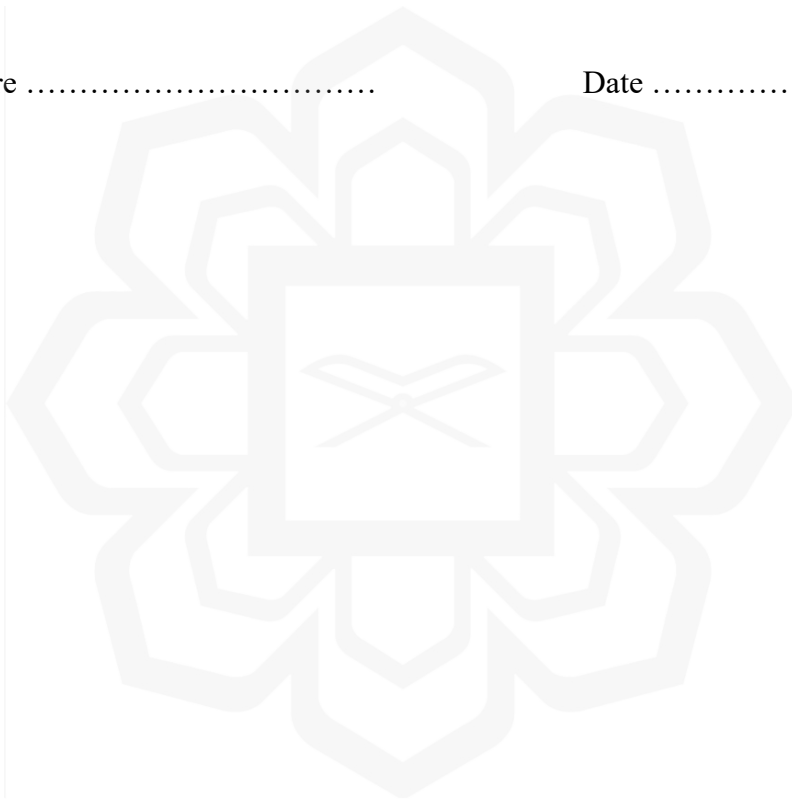
## DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where 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.

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*I dedicate this thesis,*

*To my father ASSOC. PROF. DR. Nourdine Mohamed Bacha for being the silent force  
that shapes greatness.*

*To my beloved mother, Ramlat Mohamed Maaloum, whose unwavering love and  
sacrifices have been the foundation of every step I take. Your faith in me has been my  
guiding light.*

*To my beautiful children*

*Houda Binti Bacha Said Mzembaba and Tamim Ibn Bacha Said Mzembaba.*

*To my late mother Nouria Mohamed Maaloum.*

*May Allah grant her Al-Firdus Al-A'la*

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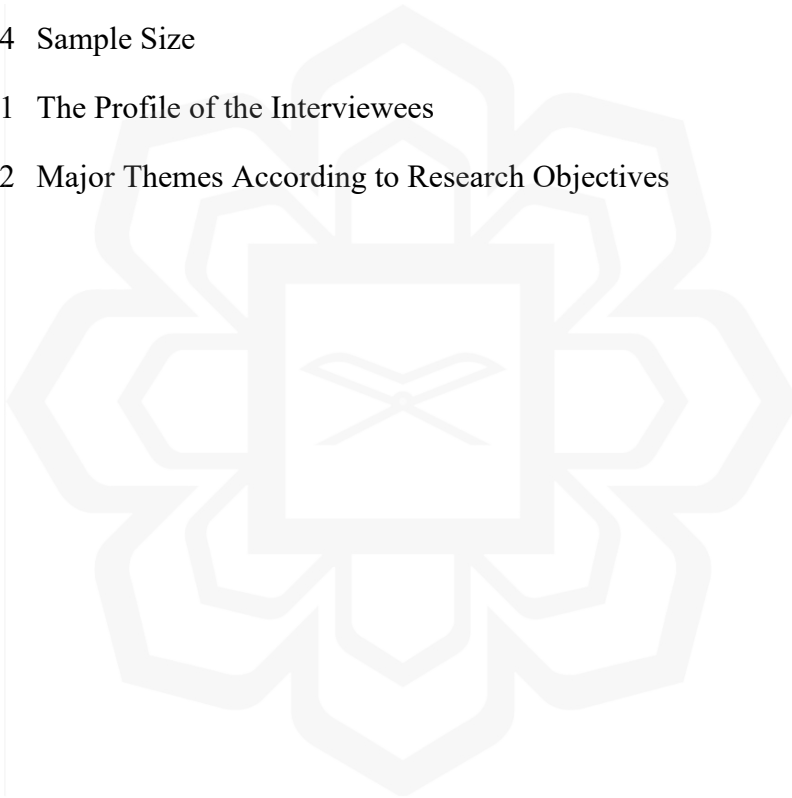
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## LIST OF ABBREVIATION

ADB	African Development Bank
ADP	Annual Development Programme
CEO	Chief Executive Officer
CWLS	Cash <i>waqf</i> Linked Sukuk
EIF	European Investment Fund
<i>et al.</i>	(et alia): and others
etc.	(et cetera): and so, forth pages that follow
FAO	Food and Agriculture Organization
FCZ	Fonds Comorien du <i>Zakat</i>
FDA	French Development Agency
FFE	Financing Female Entrepreneurs model
GDP	Gross Domestic Product
i.e.,	that is
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IMFIs	Islamic Micro-Finance Institutions
IPB	Institut Pertanian Bogor
IRTI	Islamic Research and Training Institute
ISF	Islamic Social Finance
ISFIs	Islamic Social Finance Instruments
MFI	Micro-Finance Institutions
MFW4A	The Making Finance Work for Africa
NGO	Non-Governmental Organization
no.	Number
OECD	The Organization for Economic Co-operation and Development
OIC	Organization of Islamic Cooperation
PBUH	Peace Be Upon Him
PLS	Profit Loss Sharing
SWT	<i>Subhanahu Wa Ta'ala</i>
SDG	Sustainable Development Goals
SIDS	Small Island Developing State
SMEs	Small and Medium-sized Enterprises
SMIDO	The Small and Medium Industries Development Organisation
UN	United Nations
UNIDO	The United Nations Industrial Development Organization

# CHAPTER ONE

## INTRODUCTION

### 1.1 INTRODUCTION

This research aims to explore Islamic social finance instruments, such as *zakat* and *waqf*, in supporting and financing female entrepreneurs who own informal businesses in the agricultural sector of Comoros, which includes agriculture, fishing, and forestry. The chapter is divided into ten sections, starting with an introduction and background of the research, followed by the problem statement. It then presents the research objectives and research questions. Additionally, the chapter includes the methodology, motive for the research, significant of the research, operational definitions, and concludes with a chapter summary.

### 1.2 BACKGROUND OF THE RESEARCH

Comoros is a Small Island Developing State (SIDS) located in the Indian Ocean, on the eastern coast of the African continent, at the northern entrance to the Mozambique Channel, northwest of Madagascar (Anriddine, 2023). The country lies along ancient trade routes in the Indian Ocean, 350 km northwest of Madagascar and 250 km from the coast of Mozambique. According to recent estimates by the *World Population Review* (2025), the population of Comoros has reached approximately 883,000, reflecting a steady upward trend in demographic growth over recent years. This includes all three islands. These islands make up the Union of Comoros (hereafter referred to as Comoros): Grande Comore (Ngazidja), Anjouan (Nzwani), and Moheli (Mwali).

The financial system in Comoros is regulated and supervised by the Central Bank. As of 31 December 2024, the system comprises 9 institutions, all of which operate based on conventional principles (IMF, 2024). Even though in Comoros, Islamic finance is recently supported by institutions like the International Islamic Trade Finance Corporation (ITFC) and the Islamic Development Bank (IsDB), which are key players in the

region's economic development and trade financing (IsDB, 2023; ITFC, 2024), there are no Islamic finance institutions, creating a gap for alternative financing.

According to the World Bank, natural resources, biodiversity, agriculture, livestock, and fisheries are the main contributors to Comoros' economy. Agriculture, produced primarily on small family-owned farms for home consumption, generates 30% of the country's economy (World Bank, 2019). Agriculture is the largest sector in terms of GDP contribution (30.5%) and employment (34%). Domestic fisheries account for 2.87% of GDP and operate at the subsistence level (World Bank, 2023). Despite its small population and limited resources, Comoros has a vibrant and growing entrepreneurial sector, particularly in the informal economy.

Informal businesses play a crucial role in Africa's socio-economic development. The informal sector remains the largest source of employment, accounting for 70% of employment in Sub-Saharan Africa and 62% in North Africa (AFDB, 2013). The number of informal businesses varies across Sub-Saharan Africa, ranging from 20-25% in Mauritius, South Africa, and Namibia to 50-65% in Benin, Tanzania, and Nigeria (Medina, Jonelis, & Cangul, 2016). According to the African Development Bank (ADB), the informal sector contributes about 55% of Sub-Saharan Africa's GDP and employs 80% of the labor force. In Africa, 9 in 10 rural and urban workers have informal jobs, and most employees are women and youth (ADB, 2013). The informal sector is a critical component of many Sub-Saharan African economies, accounting for 25-65% of GDP and 30-90% of non-agricultural employment (IMF, 2023).

In Comoros, informal production units (IPUs) represent all units of production of goods and/or services operated by self-employed individuals or employers who do not possess a tax identification number or maintain accounting records (IMF, 2019). According to the Labour Force Survey (2021), informal employment accounts for 48% of independent workers in Comoros. The informal economy in Comoros is estimated at 36.6% of GDP, approximately \$1 billion at PPP levels (World Economics, 2021). Female entrepreneurs in the informal sector, particularly those with fewer than five employees, represent 41.9% (Labour Force Survey, 2021). Additionally, 97.2% of employed women in Comoros work in the informal sector (International Monetary

Fund, 2021). Female entrepreneurs also play a significant role in the agriculture sector. In 2019, 31.6% of employed women in Comoros worked in agriculture, with women representing 55.7% of total employment in the sector (FAO, 2022). This highlights their importance to the Comorian economy and their contribution to employment creation. Therefore, supporting these female entrepreneurs financially is essential for ensuring continued economic progress and resilience.

Given this, the focus of this research is on female entrepreneurs in the informal agriculture sector—specifically agriculture, fishing, and forestry. This is grounded in the recognition of the significant role played by women in these sectors and the substantial contribution of informal businesses to the national economy. The World Bank’s modelled data from the International Labour Organization (ILO) indicates that, in 2022, 33.8% of employed women in Comoros worked in agriculture (World Bank, 2022). With agriculture, including forestry and fishing, contributing 37.19% to Comoros' GDP in 2023 (The Global Economy, 2023), female entrepreneurs play a critical role in the country’s overall economy. The agriculture sector, which employs a significant portion of female entrepreneurs, provides vital livelihoods for many Comorians. This aligns with global recognition of the crucial role women play in agriculture and their potential to drive sustainable development (Doss, 2001; FAO, 2011).

Despite their significant contributions, female entrepreneurs face numerous challenges, including gender inequality, high collateral requirements, stringent credit application processes, and elevated interest rates. A 2023 report by the European Investment Fund (EIF) highlighted that women still face a gender-related credit gap in both credit and venture capital markets, particularly in Sub-Saharan Africa. The FAO (2022) confirmed that, across all SIDS, women have less access to resources and services than men. Women entrepreneurs often struggle to access capital, limiting their ability to invest in and grow their businesses (Ajiva, Ejike, & Abhulimen, 2024). These challenges are exacerbated by higher collateral demands, stricter credit application processes, and elevated interest rates (Pavlova & Gvetadze, 2023). Ndouna and Zogning (2022) noted that female entrepreneurs, especially those in the informal sector, have limited access to formal financial services, compounded by lower income levels and a

lack of sufficient collateral. Financial challenges are particularly pronounced in developing countries, where a lack of collateral and credit history makes it more difficult for women to secure loans (Ssekiziyivu, Takwi, & Kabahinda, 2024). In Comoros, small businesses face difficulties accessing loans, as microfinance institutions primarily focus on larger businesses (Oumar, 2023). Recognizing their contribution and the challenges they face underscores the need for alternative financing solutions to alleviate these constraints. Islamic social finance, particularly *zakat* and *waqf*, offers considerable potential for providing ethical financial support.

Islamic social finance includes various instruments, such as *zakat*, *waqf*, *sadaqah*, *takaful*, microfinance, and *qard hasan*, which are used to support social and economic development in Muslim communities. Some studies emphasize the role of Islamic social finance in achieving sustainable development goals (SDGs), particularly in Southeast Asia, where countries like Malaysia and Indonesia lead in using Islamic finance tools to support SMEs and entrepreneurs (Dirie *et al.*, 2023; Tok *et al.*, 2022). The use of *waqf* and other Islamic social finance instruments has shown promise in filling the financing gap for entrepreneurs, offering a more ethical, community-driven alternative (Ismail *et al.*, 2023).

These instruments have emerged as a potential source of financing for entrepreneurs in Islamic countries and communities. Islamic finance is based on principles that prohibit interest-based transactions and emphasize social responsibility and ethical investing. These mechanisms contribute to poverty alleviation and empower marginalized communities, including female entrepreneurs and small businesses, by promoting financial inclusion (Dirie *et al.*, 2023; Ismail *et al.*, 2023). Focusing on *zakat* and *waqf*, this research highlights how *zakat* provides opportunities to support gender equality and female's empowerment. Several contemporary initiatives exemplify how Islamic social finance is mobilized to support female's economic participation and financial independence. For instance, Rumah *Zakat* offering cash and technical assistance to positively impact female beneficiaries (Saadah & Ghummiah, 2023). Moreover, Soemitra *et al.* (2022) confirm that micro-*waqf* bank model demonstrates how joint responsibility systems, financing, and mentoring significantly contribute to the growth of women-led micro-enterprises. Incorporating *waqf* assets into

entrepreneurship can create sustainable business opportunities for women, particularly in micro and small enterprises (Maulina, Dhewanto, & Faturohman, 2023).

The unique social context of Comoros, with its predominantly Muslim population, offers an ideal setting to explore the suitability and effectiveness of Islamic social finance instruments, such as *zakat* and *waqf*, in financing female entrepreneurship. Although these instruments are prevalent in the country, their application has been limited to addressing immediate consumption needs, with no existing programs that utilize them as financing mechanisms for businesses. This presents an opportunity to explore how these instruments can support and enhance female entrepreneurs' businesses, while offering them financing alternatives in line with *Shariah* principles.

The aim of this research is to explore the potential of Islamic social finance instruments, such as *zakat* and *waqf*, as alternative financing mechanisms for female entrepreneurs in Comoros. Given the country's majority Muslim population and the importance of female entrepreneurs in the informal agriculture sector, these instruments offer a *Shariah*-compliant solution to the challenges posed by limited access to loans. By introducing Islamic social finance as a financing alternative, female entrepreneurs in Comoros can access ethical and community-driven financing, enabling them to overcome challenges and contribute to sustainable economic development.

This research is significant as it will contribute to understanding how Islamic social finance can support and promote female entrepreneurship, a critical component of economic development and poverty reduction in Comoros. Furthermore, the findings will inform regulatory bodies and financial institutions about the potential of Islamic social finance to foster inclusive and sustainable economic growth in Comoros and other countries with similar economic and social contexts.

### 1.3 PROBLEM STATEMENT

Agriculture, as the primary sector in Comoros, plays a significant role in sustaining livelihoods, particularly where informal agricultural businesses dominate. It is a key sector and a major source of income, contributing 30% to the Gross Domestic Product (GDP) (Food and Agriculture Organization, 2023). Agriculture is also a crucial source of employment and income for rural populations in Comoros, generating over 35% of GDP (International Fund for Agricultural Development, 2017). In this context, female entrepreneurs in the informal agriculture sector contribute significantly to food security and social development. The Food and Agriculture Organization (2023) confirmed that investing in and improving the efficiency of Comoros' agrifood systems is essential to enhance food security. Supporting female entrepreneurs in this sector could increase their productivity, improve their access to capital, expand their businesses, and strengthen the local agriculture-based food system. Furthermore, it would assist female entrepreneurs, who are often marginalized in terms of access to loans from conventional banks.

Despite their significant contributions, female entrepreneurs in Comoros, particularly those owning small businesses, face substantial barriers to accessing loans through the conventional financial system. Barriers such as a lack of financial literacy and limited access to financial services hinder women's economic participation (Ali, 2019). Additionally, this research indicates that female entrepreneurs encounter difficulties accessing loans from banks, with challenges including collateral requirements, high interest rates, the nature of their work, and the complexities of the loan application process. Isa *et al.* (2019) confirmed that, despite the growing number of female entrepreneurs, many unexpected challenges persist, regardless of the country. Brixiova, Kangoye, and Yogo (2020) argue that the primary constraint for SMEs in accessing finance in Africa is not a lack of liquidity, but rather the availability of assets that can be used as collateral. Recent studies highlight persistent gender disparities in access to finance, with female entrepreneurs facing challenges such as limited loan access, collateral constraints, and discriminatory lending practices in conventional financial institutions (World Bank, 2021; Allen *et al.*, 2022). Furthermore, Kabeer (2020) emphasizes the crucial role of financial inclusion in empowering women

economically, underscoring the need for tailored financial solutions to address the unique challenges female entrepreneurs face.

In this context, Islamic Social Finance (ISF) offers a potential alternative financing mechanism that is based on *Shariah* principles and aims to promote social and economic development. Zain and Ali (2018) explained that Islamic social finance encompasses financial assistance in various life dimensions, aiming to achieve goals such as eradicating poverty, providing better infrastructure for schools and hospitals, and preserving communities and the environment. The UN Assistant Secretary-General affirmed that Islamic social finance can assist governments and communities in achieving a range of developmental needs (Lalani, 2019). *Zakat* has played a significant role in Indonesia's economy, including providing social protection and empowering women (UNDP, 2021). In Kenya, *zakat* has been studied as a mechanism to improve the livelihoods of women from low-income households through mobile platforms, demonstrating its potential for social and economic redistribution (Latif, 2022). On the other hand, *waqf* has proven effective in improving financial inclusion for female entrepreneurs in developing countries by providing access to property, cash, and corporate *waqf*, enhancing their capital and business opportunities (Bello, 2022).

Several studies have examined the potential of Islamic social finance instruments as financing methods for small and medium-sized businesses. For instance, Ishak and Nasir (2023) identified Islamic crowdfunding as an alternative funding source for SMEs, promoting collaboration and community support. Sairally (2024) confirmed that *waqf* can directly support SMEs by transitioning from traditional charitable purposes to include modern financial instruments like cash *waqf* and *waqf*-venture capital funds. However, limited research has focused on the potential of these instruments as financing tools for female entrepreneurs in Comoros. Ali (2022) conducted a study on empowering women through Islamic financial inclusion in Comoros, providing strong evidence of the importance of removing barriers to accessing Islamic financial services for disadvantaged women. The study highlighted that many women either lack the funds to use financial services or lack the relevant financial knowledge that would enable their inclusion in financial systems.

Therefore, the purpose of this research is to explore the potential of Islamic social finance instruments such as *zakat* and *waqf* as financing mechanisms for female entrepreneurs in Comoros. The goal is to increase their access to capital while alleviating the challenges they face within the conventional financial system, while also providing them with *Shariah*-compliant financing products that align with their religious principles.

#### 1.4 RESEARCH OBJECTIVES

1. **RO1:** To identify the challenges faced by female entrepreneurs in the conventional system in Comoros.
2. **RO2:** To analyse the level of *zakat* and *waqf* implementation in Comoros.
3. **RO3:** To explore the potential of *zakat* and *waqf* as a tool for financing amongst female entrepreneurs in Comoros.
4. **RO4:** To propose a model to finance female entrepreneurs in Comoros using *zakat* and *waqf*.

#### 1.5 RESEARCH QUESTIONS

1. **RQ1:** What are the challenges that are faced by female entrepreneurs in the conventional system in Comoros?
2. **RQ2:** What is the level of application of *zakat* and *waqf* in Comoros?
3. **RQ3:** How can *zakat* and *waqf* be effectively utilized as a financing tool amongst female entrepreneurs in Comoros?
4. **RQ4:** What is the suitable model to offer financing to finance female entrepreneurs in Comoros using *zakat* and *waqf*?

## **1.6 METHODOLOGY**

The research is qualitative in nature and employs structured interviews, focus group discussions, and semi-structured interviews. First, structured interviews were conducted with thirty-two female entrepreneurs to ensure consistency and reliable data collection, avoiding bias and promoting reliability. The structured questions were directly related to the research objectives, a key component in ensuring rigorous data collection. Additionally, the structured interviews align with ethical considerations, guaranteeing that all participants are treated fairly.

Secondly, focus group discussions were held with seven experts in Islamic social finance in Comoros. The first focus group involved the researcher and two members of the Arab Department in the Ministry of Finance. The second group included two members from the Islamic Affairs Division, and the third group consisted of two members of *Dar-al-Zakat* in Comoros, including the head/director. A semi-structured interview was also conducted with the Kadi (Islamic judge) of the largest city.

Semi-structured interviews and focus groups were chosen for their flexibility, allowing dynamic interaction between the researcher and the experts. This encourages a deeper examination of issues and may uncover unexpected insights.

Secondary data, including websites and articles, were also used to enrich the research and provide an overview of different Islamic social finance instruments implemented in other countries.

## **1.7 MOTIVE FOR THE RESEARCH**

The conventional financial environment in Comoros presents significant challenges for female entrepreneurs. Despite their potential and eagerness to succeed in their businesses, these women face obstacles that limit their access to loans and business development opportunities. The motive for this research arises from the need to find ethical, Shariah-compliant financial solutions that can effectively support these female entrepreneurs. This research seeks to address these challenges by exploring the

application of Islamic social finance instruments, which align with *Shariah* principles and offer ethical alternatives tailored to their needs.

Furthermore, the motivation for this research arises from the contradiction between faith and the financial systems available in the country. Given the potential of Islamic social finance instruments to contribute to socio-economic development, this research aims to bridge that gap by introducing financing alternatives, such as *zakat* and *waqf*, to support female entrepreneurs. Thus, Muslim female entrepreneurs would have the opportunity to use *Shariah*-compliant financing options, alleviating the challenges they face in the conventional system. Thus, the research aims to develop a model to facilitate this goal.

This research is expected to be the first to propose a model using *zakat* and *waqf* fund to finance female entrepreneurs in Comoros, helping them overcome the challenges they face in the conventional system. The study also aims to contribute to the socio-economic development of the country and, most importantly, provide female entrepreneurs with the opportunity to use financing alternatives in line with their *Shariah* principles.

## **1.8 SIGNIFICANT OF THE RESEARCH**

This research is significant both theoretically and practically. Theoretically, it contributes to the growing literature on Islamic social finance by exploring the use of *zakat* and *waqf* as tools for empowering female entrepreneurs. While the potential of *zakat* and *waqf* for financing has been widely acknowledged, this research adds value on the sustainable and strategic mechanisms for inclusive economic development, particularly in Muslim-majority, low-income countries such as Comoros.

Practically, the research addresses a gap in the financial inclusion of women, who often face challenges in accessing conventional financing. By proposing a model that integrates *zakat* and *waqf* in a *Shariah*-compliant financing framework, the research offers an innovative alternative that aligns with both the religious values and socio-economic realities of Muslim female entrepreneurs. The proposed model could serve as

a reference for policymakers, financial institutions, and development agencies in designing inclusive, *shariah* based financial solutions that respond to entrepreneurs needs.

Moreover, the findings of this research have the potential to contribute for women's empowerment, and sustainable development in Comoros. As such, the research is not only relevant for academic discourse but also for shaping real world practice in Islamic finance and economic development.

## 1.9 OPERATIONAL DEFINITIONS

**Small and Medium Enterprises (SMEs):** In general, researchers use their own definitions of SMEs according to their specific focus (Hashim *et al.*, 2002), as there is no universally established definition of SMEs (Hooi, 2006). The World Bank defines SMEs using three quantitative criteria: number of employees, total assets in U.S. dollars, and annual sales in U.S. dollars (IEG, 2008).

Furthermore, the focus of this research is on small enterprises in the informal sector owned by Comorian female entrepreneurs in the agriculture sector, with fewer than five employees. Therefore, in this study, SMEs will specifically refer to small enterprises owned by Comorian female entrepreneurs in the agriculture sector with fewer than five employees.

**Informal Business:** Informal businesses are small, unregistered enterprises that operate outside the formal regulatory framework of the economy. Their characteristics include a lack of formal registration, limited access to finance, and minimal adherence to government regulations and tax obligations (Chen, 2007; ILO, 2021). Examples include street vendors, small retail shops, and microenterprises (Williams & Round, 2007; Schneider & Enste, 2000). The informal economy does not include illicit activities. Informal production units (IPUs) or the informal sector in Comoros represent all production units—whether goods or services—owned by an employer or self-employed worker in Comoros who does not possess a tax identification number or maintain accounting records (IMF, 2019).

**Financing:** The source from which SMEs obtain funds is referred to as financing. Internal financing refers to financing derived from the entrepreneur's personal savings, while external financing refers to funds obtained from external sources, such as banks or other financial institutions.

**Islamic Social Finance Instruments:** Harji and Hebb (2010) define social finance as the deliberate and intentional use of tools, instruments, and strategies to enable capital to achieve social, environmental, and financial returns. Islamic social finance (ISF) involves using Islamic financial tools and strategies for societal benefit. ISF has been categorized by Zain and Ali (2018) as Islamic traditional instruments based on philanthropy, such as *waqf*, *zakat*, and *sadaqah*. Therefore, the Islamic social finance instruments used in this research will be *zakat* and *waqf*.

**Zakat:** The root of the word "*zakat*" comes from the Arabic word *az-zakaa'*, which can mean growth, purity, or blessing (Masroom, Yunus, & Huda, 2020). Manzur (1997) described two meanings of *zakat*: giving away property and purifying the soul. Htay, Salman, and Ilyas (2012) defined *zakat* legally as the amount of money or goods taken from a specific type of wealth once it reaches a certain amount at a specific time, which must be spent on certain categories in specific ways. It is the mandatory fulfillment of statutory rights over certain assets in a specific form, subject to the specific *haul* (timeframe) and *nisab* (minimum amount) (Al-Mualifin, 1989). *Zakat* can also be legally defined as a certain level of property that must be managed and given to the rightful individuals who meet certain conditions (Al-Khin, Al-Bugha, & Al-Syarbaji, 1992). Al-Qaradhawi (1973), on the other hand, explained that *zakat* is a specific rate determined from property, made obligatory by Allah SWT to be given to the rightful person.

**Waqf:** The word *waqf* is derived from the Arabic verb *waqafa*, which means "to stop." In other words, *waqf* literally means to hold, detain, or restrain. It can also mean the act of making an endowment of property, such as houses, and keeping its gains in the way of God (Ma'luf, 2017). Mohammad and Iman (2006) defined *waqf* legally as the protection of something by preventing it from becoming the property of a third party. It is an irrevocable gift of corporeal property for the benefit of the donor's family, someone else, or something, in perpetuity, as a charity executed during the donor's lifetime. Once made, *waqf* cannot be transferred, gifted, or transmitted thereafter.

**Female Entrepreneurs:** In this research, female entrepreneurs refer to women who own small businesses in the agriculture sector in Comoros, specifically in agriculture, fishing, and forestry.

## 1.10 CHAPTER SUMMARY

This chapter introduces the foundation of this research, focusing on the role of Islamic social finance instruments, particularly *zakat* and *waqf*, as alternative financing options for female entrepreneurs in Comoros' agriculture sector, namely agriculture, fishing, and forestry. It begins with a background on the Comorian economy, highlighting the contribution of female entrepreneurs to the informal sector of the agriculture industry. The chapter notes that female entrepreneurs in the informal sector, with fewer than five employees, represent 41.9% of the workforce. Meanwhile, 33.8% of employed women in Comoros work in the agriculture sector, which accounts for 37.19% of the country's GDP, including forestry and fishing, as of 2023.

The chapter also outlines the challenges faced by these female entrepreneurs, including gender bias, difficulties accessing loan collateral, and high interest rates.

It then introduces *zakat* and *waqf* as alternative financing tools that align with Islamic principles to support female entrepreneurs. The chapter continues by presenting the problem statement and research objectives, which include analyzing the challenges faced by female entrepreneurs, examining the current application of *zakat* and *waqf*, exploring *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros, and proposing a model using *zakat* and *waqf* to meet their financial needs.

The methodology is briefly discussed, emphasizing a qualitative approach involving semi-structured interviews with female entrepreneurs and focus groups with Islamic social finance experts. The chapter concludes by highlighting the research's motive to advance both academic knowledge and practical solutions in the field to empower female entrepreneurs in Comoros.

## **CHAPTER TWO**

### **UNDERSTANDING SMEs: DEFINITIONS, COMORIAN CONTEXT AND POSSIBLE CHALLENGES**

#### **2.1 INTRODUCTION**

Female entrepreneurship is an important driver of economic development, particularly in emerging economies. In the previous chapter, the importance and contributions of female entrepreneurs in the agriculture sector within the informal sector in Comoros were highlighted.

In this chapter, the definitions and classifications of SMEs will be explored thoroughly. The focus of this chapter is an overview of SMEs, including definitions from different countries, followed by the definition of SMEs in Comoros and their development sectors. The chapter then discusses the infrastructure of SMEs in Comoros, including legal and business perspectives, business procedures, and microfinance institutions. The possible challenges faced by SMEs in Comoros are also addressed, followed by a chapter summary.

#### **2.2 OVERVIEW OF SMES**

SMEs play a remarkable role in the global economy. They are the driving force of economic growth and have a positive impact on economic activity (Keskg, Genturk, Sungur, & Kiris, 2010). Robu (2013) confirms that SMEs are the foundation of an economy, whether we are referring to a specific country or discussing the global economy, and they contribute significantly to economic growth. Ayyagari *et al.* (2007) state that, in high-income countries, formal SMEs contribute to 50 percent of GDP on average. In addition to this, they play a major role in the labour market, providing the main source of employment (Lawless, 2013). Ayyagari *et al.* (2007) estimate that, on average, SMEs account for nearly 60 percent of employment in the manufacturing sector. The socio-economic roles played by SMEs have led them to be considered a

strategic interest for the economy (Avasilicai, 2009). Furthermore, Beck *et al.* (2005a) finds a positive relationship between the relative size of the SME sector and economic growth.

### **2.2.1 Various Definitions of SMEs**

The criteria for defining SMEs differ between countries and researchers. Researchers use their own definitions of small and medium enterprises (SMEs) based on their specific focus (Hashim *et al.*, 2002), as there is no established global definition of SMEs (Hooi, 2006). The most basic similarity is that SMEs are clearly not large businesses (Storey, 1994). The World Bank defines SMEs using three quantitative criteria: number of employees, total assets in U.S. dollars, and annual sales in U.S. dollars (IEG, 2008). In its guidelines, the European Commission defines the criteria for enterprises as: number of employees, annual turnover, and annual balance sheet (European Commission, 2005). The United Nations Industrial Development Organization (UNIDO) defines SMEs based on the number of employees, with different classifications for industrialized and developing countries (Elaian, 1996). For industrialized countries, the classifications are as follows: Large – firms with 500 or more workers; Medium – firms with 100-499 workers; Small – firms with fewer than 100 workers. For developing countries, the classification is as follows: Large – firms with 100 or more workers; Medium – firms with 20-99 workers; Small – firms with 5-19 workers; Micro – firms with fewer than 5 workers (Abor & Quartey, 2010).

In France, for example, an SME is defined as having fewer than 500 employees, while Germany defines an SME as having fewer than 100 employees. In Japan, an SME is defined as having fewer than 300 employees or an invested capitalization of less than 100 million yen in the manufacturing, mining, transportation, and construction industries. Wholesale businesses are classified as SMEs if they have fewer than 100 employees or a capitalization of less than 30 million yen. In retail, SMEs are defined as businesses with fewer than 50 employees or a capitalization of less than 10 million yen (Shafique Dar, Ahmed, & Raziq, 2017). In Canada and the United States, SMEs are considered businesses with fewer than 500 employees (Muriithi, 2017). In Germany,

SMEs are defined as having up to 250 employees, while Belgium defines them as having a limit of 100 employees (Katua, 2014). In developing countries (including Africa), businesses with more than 100 employees are classified as large, while small businesses typically have between one and five employees (Muriithi, 2017). It is also observed that more than 50% of businesses in low and lower-middle-income countries employ fewer than 100 people (Beck & Cull, 2014; Dalberg, 2011; Fjose *et al.*, 2010; Levine, 2005; Katia, 2014; OECD, 2005).

Similarly, in Africa, numerous measures have been used to define SMEs. For instance, the number of employees and turnover are used to define SMEs in South Africa, Nigeria, Ghana, and Kenya. In Nigeria, small-scale businesses are defined by the SMEs Agency as firms with 10 to 49 employees and an asset base of 5-49 million naira (excluding land and buildings), while medium-sized businesses employ 50 to 199 employees and have assets between 50 and 499 million naira (excluding land and buildings) (Chinedu, 2023). The Ministry of Trade in The Gambia defines SMEs based on employment and investment size. According to this definition, businesses with 5 to 49 employees and a total investment of GMD 100,000 or less are classified as small-scale enterprises, while businesses with up to 99 employees and an investment capital of more than GMD 1 million are classified as medium-sized enterprises (GNPM, 2019).

In The Gambia, SMEs are also considered part of the informal sector, where many businesses operate as sole proprietorships. These businesses span various sectors, including trade, commerce, services, and agriculture (Jallow, 2019). In Tanzania, small-scale businesses are defined based on the number of employees and the capital invested in machinery (Nkwabi & Mboya, 2019). They define a micro-enterprise as having up to 5 employees with a minimum capital of up to 5 million Tanzanian Shillings (TZS), a small enterprise as having 5 to 49 employees with a capital between 5-200 million TZS, and a medium enterprise as having up to 100 employees with capital ranging from 200-800 million TZS.

The Small and Medium Industries Development Organisation (SMIDO) in Mauritius defines SMEs as enterprises engaged in manufacturing and using production equipment, which includes the transformation or conversion of raw materials, repair,

packing, and assembly of semi-finished parts into finished goods. Production equipment refers to equipment directly related to production. The total value of production should not exceed Rs 35 million (SMIDO Act 1993) (Lal & Peedoly, 2006). There are various viewpoints on the criteria and amounts used to measure the size of SMEs (Dğnçer, 1994). For this research, the definition of SMEs used in Comoros will be based on overall turnover, which covers micro, small, and medium enterprises involved in various types of business, including services, manufacturing, construction, agriculture, mining, and quarrying.

### 2.2.2 Definition of SMEs in Comoros

There is no standard definition for SMEs, as each country establishes its own criteria. Most countries use the number of employees or total assets as indicators. In this research, we will use the most recent definition provided by the Department of Statistics in Comoros as follows:

Table 2.1 Definition of SMEs in Comoros

<b>Overall Turnover (USD)</b>	<b>Enterprises</b>
Less than 40 000	Micro enterprise
Between 40 000 and 60 000	Small enterprise
Between 60 001 and 999 999	Medium enterprise
1 000 000 and above	Grande enterprise

Source: Department of statistics in Comoros

In Comoros, SMEs accounted for more than 80% of total business establishments in 2020, indicating that SMEs dominate the business landscape in the country. According to the 2020 statistical report, most SMEs are involved in three main sectors: services, manufacturing, and construction. The services sector represents the largest portion, comprising 90% of the total SMEs, followed by manufacturing and construction. Additionally, as shown in the table above, SMEs in Comoros consist of

micro, small, and medium enterprises, with the majority being sole proprietorships and partnerships, followed by private limited companies.

## **2.2.3 Development Sectors of SMEs in Comoros**

### ***2.2.3.1 Primary Sector***

The primary sector in Comoros contributes approximately 36% of real GDP, with the agriculture sector dominating, accounting for 78% of the primary sector's output (PNUE & GEF, 2022). According to PNUE and GEF (2022), the agriculture sector's contribution is evident in providing approximately 57% of employment and generating nearly 90% of export revenues. Food production and fisheries account for nearly 70% of the sector's added value. However, despite its significant contribution, the agriculture sector is only able to meet 50% of the nation's dietary requirements and contributes only 40% of vital animal protein. This results in a high dependency on food imports, especially rice, which comprises a staggering 95% of total imports. Agriculture is dominated by small subsistence family farms (growing tubers and leaves). Cash crops, inherited from colonization, remain the main export products, such as vanilla, cloves, and ylang-ylang essence (PNUE & GEF, 2022).

The agriculture sector encompasses both formal and informal activities. Figure 2-1 below illustrates the distribution of informal and formal jobs by gender and employment status. In informal employment in Comoros, 58.1% are men compared to 41.9% women. On the other hand, 67.5% of men work in the formal sector, compared to 32.5% of women. Most informal employment in Comoros consists of male employees, accounting for 74%, followed by male employers at 57.1%. This is followed by own-account workers (52.7%) and contributing family workers (41.4%).

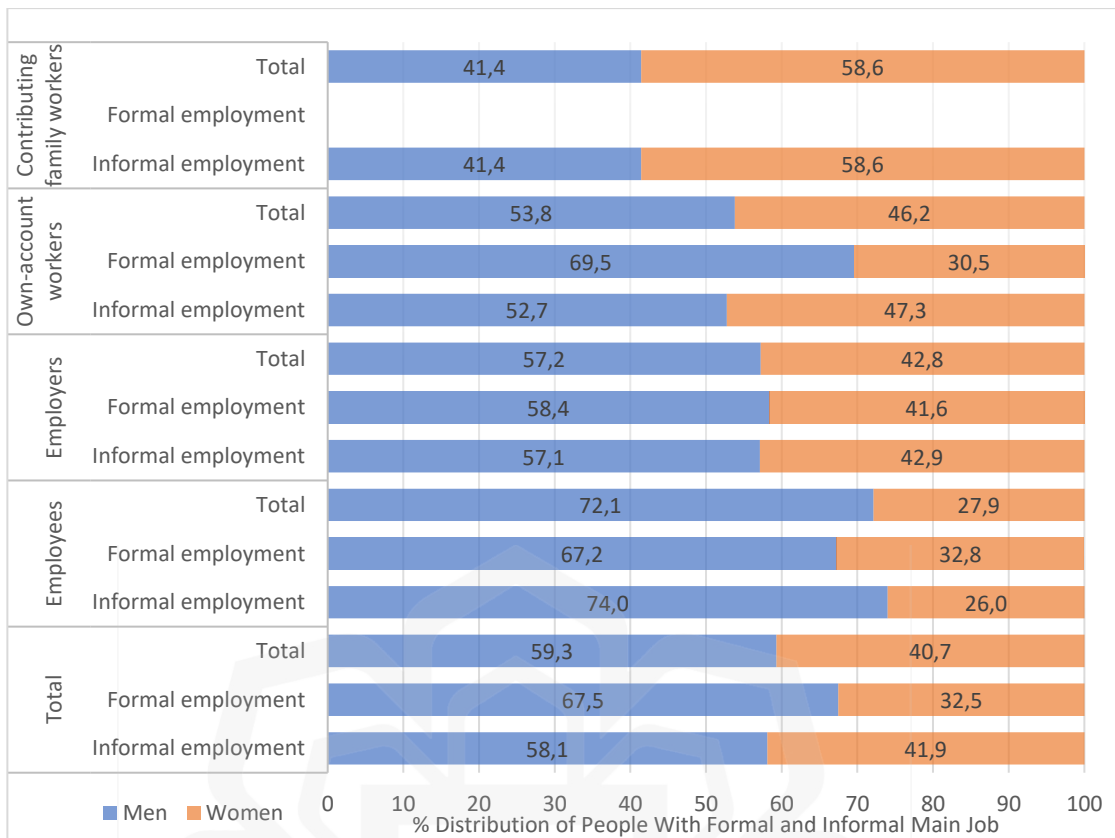


Figure 2.1 Distribution of Informal and Formal Main Jobs by Gender and Status in Employment. Source: department of statistics in Comoros Report 2021

### Distribution of informal and formal main jobs by size of enterprises and gender

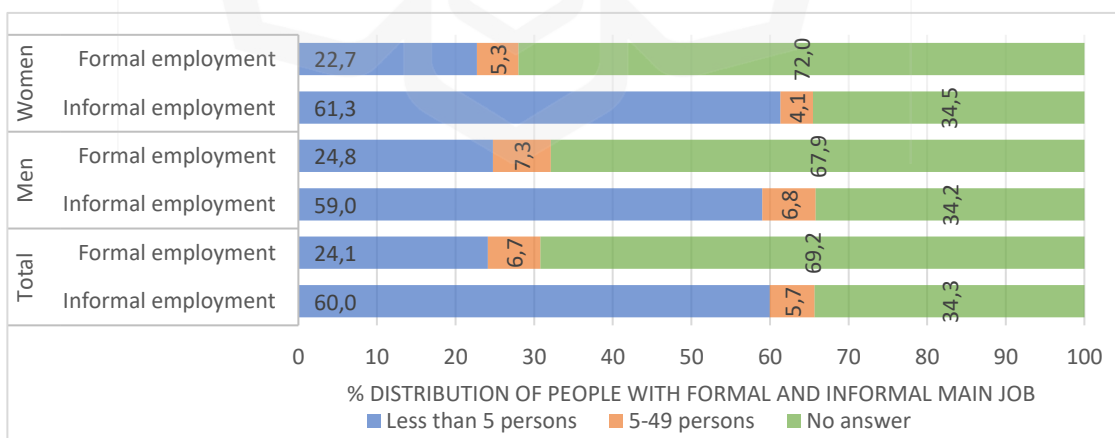


Figure 2.2 Distribution of Informal and Formal Main Jobs by Size of Enterprises and Gender. Source: department of statistics in Comoros Report 2021

Figure 2.2 above illustrates distribution of informal and formal main jobs by size of enterprises and gender. Women in the informal employment in Comoros with less than 5 persons represent 61.3% compared to 59% for men. The figure clearly shows that in total, in the informal employment enterprises who have less than 5 workers represent 60% compared to 24.1% in the formal employment.

Table 2.2 Number and Distribution of Informal and Formal Main Jobs By Economic Activity and Gender

		Agriculture	Industry			D - Electricity, gas, steam and air conditioning supply	E - Water supply; sewerage, waste management	F - Construction
		A - Agriculture, forestry and fishing		B - Mining and quarrying	C - Manufacturing			
Total	Informal employment	63908	36415	1359	17446	1526	400	15685
	Formal employment	476	2066	42	621	678	47	678
	Total	64384	38482	1401	18067	2203	447	16363
Men	Informal employment	40419	24019	721	6149	1456	299	15394
	Formal employment	372	1650	42	357	558	47	647
	Total	40791	25670	762	6506	2014	346	16041
Women	Informal employment	23489	12396	638	11297	69	101	291
	Formal employment	104	416	0	264	120	0	32
	Total	23593	12812	638	11561	189	101	322

Source: department of statistics in Comoros Report 2021

The table above shows the number and distribution of informal and formal main jobs by economic activity and gender. Women in the informal sector, particularly in the industry, total 12,396, compared to 416 women in the formal sector. As stated above, the focus of this research is on women in the informal sector, particularly those working in agriculture, forestry, and fisheries. Therefore, 23,489 females working in the agriculture sector with fewer than five employees will be the focus of this research.

### 2.2.3.2 The Secondary Sector

The industrial fabric in Comoros remains at an embryonic stage; consequently, the share of the secondary sector remains low (PNUE & GEF, 2022). Efforts have been made by the government to improve the public sector and protect the rights of investors and creditors. However, the low level of viable investment and entrepreneurial initiatives indicates that many other obstacles remain, including institutional ones. As one of the

poorest countries in the world, Comoros faces high production costs, limited energy availability, difficult access to markets, and weak economic governance.

In their report *Jumpstarting Agricultural Transformation*, the World Bank stated that food and agribusinesses in Comoros contribute little to the country's economy due to several challenges, such as the limited internal market, lack of access to finance, energy shortages, and insufficient industrial infrastructure (The World Bank, 2019). Lastly, the construction sector is part of the secondary sector.

### ***2.2.3.3 The Tertiary Sector***

The tertiary sector in Comoros is primarily based on tourism. The share of the tertiary sector in real GDP increased from 49.9% to 51.5% from 2007 to 2016, representing an average growth rate of 3% (PNUE & GEF, 2022). The contribution of this sector is mainly driven by the subsectors of trade, hotels, and restaurants, which recorded an 11% increase, as well as other private services (including rents and domestic services), which account for 30% of the sector's output.

The underperformance of the transport subsectors, including post, mail, financial activities and insurance, and public administration—accounting for 30% of the sector's output—has limited the overall performance of the tertiary sector. The services sector contributes an average of 17% to GDP, but it is mainly characterized by low value-added commercial transactions (PNUE & GEF, 2022).

### **2.2.4 Legal and Business Perspective**

The legal system in Comoros is a blend of French civil law and sharia (Islamic law). Consequently, legal principles and customary practices prevalent in the region govern business regulations (Dobrowolski, 2024). The judiciary system in Comoros is independent from the executive and legislative branches. Its structure is outlined in Act No. 05-016/AU of December 20, 2005, with key components including the Supreme Court, Courts of Appeal, Assize Courts, Courts of First Instance, Casual Courts, Labour

Courts, Commercial Courts (established by Law No. 17-007/AU in 2017), Administrative Courts, and Juvenile Courts.

In a legal context, SMEs in Comoros interact with the judicial system, particularly through the establishment of Commercial Courts in 2017. These courts aim to ensure efficient resolution of contractual disputes, debt recovery, and commercial transactions. They are characterized by fast procedures, allowing judgments to be handed down within a maximum of four months.

Additionally, SMEs are supported by the National Agency for the Promotion of Investment, established by the government to facilitate and enhance business creation and support their growth along the value chain. The agency provides several key services such as tax relief, administrative assistance, establishment of a one-stop shop, and the creation of entrepreneurial credit lines. It aligns its vision with the needs and cultural dynamics of Comoros. Their practices include marketing, sponsorship, patronage, works councils, board of directors, financial support measures, digital one-stop shop, entrepreneurial education, and tax relief for export companies (Islam, 2022).

Further, there is the Directorate General for Female Entrepreneurship (DGEF) established in 2008, drives female entrepreneurship in Comoros through tailored training, financial-literacy initiatives, and access to resources. It thrives through partnerships with local chambers, NGOs, financial bodies, and international organizations, crafting a supportive ecosystem (50 million African Women Speak, n.d.).

### **2.2.5 Microfinance Institutions (MFIs)**

In Comoros, MFIs serve as key drivers of financial inclusion, especially for individuals and small businesses that lack access to conventional banking services. Operating under the regulation and supervision of the Central Bank of Comoros, these institutions primarily offer small-scale credit aimed to facilities the needs of micro-entrepreneurs.

In the early 1990s, the Comorian government-initiated efforts to promote businesses for low-income populations, particularly small businesses, farmers,

fishermen, and female entrepreneurs, by creating microfinance institutions to provide loans to these entrepreneurs (PAFIC, 2012). The first microfinance institution, SANDUK, was created in 1993 with the support of the French Development Agency (FDA). It is a network of village banks grouped into unions, managed by employees and elected officials, offering loans and savings services to small business owners. The network is made up of several banks located in villages, grouped into three regional unions across the islands, and operated independently. SANDUK targets small-scale agricultural projects.

The second microfinance institution in Comoros, the Savings and Credit Mutuals – Komor (MECK), was established in 1995 with the support of the International Fund for Agricultural Development (IFAD). The government created this institution to act as an intermediary structure between SANDUK and traditional financial institutions, aiming to serve a middle-income clientele. MECK is primarily located in cities (Pafic, 2012). MECK-MORONI is committed to promoting inclusive and sustainable financial services, with a particular focus on women and youth. It additionally provides mortgage loans categorized as social financing. This pursued through the prudent management and enhancement of member savings, the facilitation of accessible credit, the strengthening of solidarity and mutual support, and the advancement of economic, social, and cooperative education for its members (Wiya, 2024).

### **2.3 POSSIBLE CHALLENGES FACED BY SMES IN COMOROS**

Women have gradually embraced entrepreneurship, motivated by the pursuit of financial independence, social empowerment, and the desire to challenge traditional gender roles. The urge to own and manage a business may stem from a desire to be self-sufficient, gain personal satisfaction, and explore opportunities for women in the labour market (Carter, 2000; Winn, 2004, 2005; Carter and Cannon, 1991). Some literature has explored the specific challenges faced by female entrepreneurs, including exclusion from formal and informal networks (Carter, 2000), less favourable credit terms (Riding and Swift, 1990; Marlow and Patton, 2005), and negative stereotyping as “less serious”

business owners (Lewis, 2006). Despite their contributions to the small business sector and the economy's growth—by promoting prosperity and reducing poverty (Still and Timms, 2000)—female entrepreneurs face several challenges that may hinder their development. Therefore, understanding these challenges is essential, as our objective is to provide solutions that will alleviate these barriers and contribute to the development of SMEs.

### **2.3.1 Gender Inequality**

Gender inequality can be defined as the differences between males and females. It is among the oldest and most pervasive forms of inequality in the world, silencing women's voices, devaluing their work, and positioning women unequally to men (Olarewaju & Fernando, 2020). Despite significant progress in recent years, no country has achieved economic equality for women, and women are still more likely than men to live in poverty (Daly, 2019). In developing countries, 75% of women work in the informal economy, where they often lack employment contracts, legal rights, or social protection and are paid insufficiently to escape poverty (Olarewaju & Fernando, 2020). Oxfam (2020) confirmed that 600 million women in developing countries are in the most insecure and precarious forms of work. Female entrepreneurs are disadvantaged not because of their mental, physical, or educational abilities but due to gendered categorizations (Carter, 2000). These categorizations are linked to cultural values, family commitments, and limited access to business capital and credit facilities, all of which serve as barriers to female entrepreneurs.

In 2019, the World Bank confirmed that discrimination continues, with studies indicating that women face bias in accessing financial resources, such as venture capital and bank loans (World Bank, 2019). The lack of representation in leadership positions exacerbates the situation, limiting female entrepreneurs' access to valuable networks and mentorship opportunities (Catalyst, 2020). Society also has many expectations and stereotypes that create barriers, as women often face skepticism about their ability to balance family and business responsibilities (Hisrich, Peters, & Shepherd, 2017). Female entrepreneurs' motivation to recreate work environments and take control is

often seen as a threat to men (Brodsky, 1993). These attributes conflict with gender expectations, which dictate that women should be humble and modest and prioritize their roles as wives and mothers, thereby limiting their involvement in business or income-generating activities (Zakaria, 2001).

In his study, Gray (1996) confirmed that one of the major challenges female entrepreneurs faces during start-ups is credit discrimination. Women are often unable to open a bank account without the permission of a male relative, such as a father or husband. Even after inheritance laws were revised with the Succession Act of 1981, women have rarely inherited land or property (Mwobobia, 2012). This implies that they are not entitled to loans from banks. Mwobobia (2012) confirmed that discrimination is a challenge for women entrepreneurs in Kenya as well, as they often face discrimination when they approach banks for financing. Women report that bank officials tend to ignore them in meetings and prefer speaking to their husbands or male business partners.

In addition to systemic biases, there is unequal access to education and training opportunities for female entrepreneurs. Studies suggest that female entrepreneurs often have limited access to entrepreneurial education programs and resources, which are crucial for developing the skills and knowledge needed for business success (Brush, Edelman, & Manolova, 2008).

Access to loans is one of the most challenging steps for start-up businesses (Mordi, Simpson, Singh, & Okafor, 2010). These challenges become even more complicated when women are involved (Sena, Scott, & Roper, 2012). Gender inequality is a significant form of discrimination that female entrepreneurs face when attempting to access credit facilities for their business startups (Sena, Scott, & Roper, 2012). This often leads women to use their own savings instead of seeking loans from banks, as banks are hesitant to lend to women (Mordi *et al.*, 2010; Derera *et al.*, 2014). In their study, Muravyev *et al.* (2009) revealed that female entrepreneurs are less likely to access bank loans compared to men. When loans are approved, women are often charged higher interest rates due to discriminatory practices (Teixeira & Sharifu, 2017).

As Sena, Scott, and Roper (2012) noted, this can explain why female entrepreneurs are less likely to seek loans compared to men.

Brana (2013) investigated microfinance institutions and focused on women's challenges in accessing capital. The research revealed a gap between the genders in the clientele. Verheul and Thurik (2001) focused on developed nations and confirmed that women in those nations face challenges obtaining loans for their businesses and are often not guaranteed the full amount of loans they request. Verheul and Thurik (2001) found that women secure less capital than men.

Furthermore, the issue of work-life balance disproportionately impacts female entrepreneurs. Cultural expectations surrounding caregiving tasks typically fall solely on women. The burden of these responsibilities, combined with a lack of supportive policies such as affordable daycare and flexible work arrangements, exacerbates this challenge (Gatewood, Shaver, & Gartner, 1995). Research shows that the lack of family-friendly policies in many companies contributes to women's reluctance to pursue entrepreneurial endeavours or develop their businesses (Verheul *et al.*, 2019).

While literature highlights gender inequality as a critical challenge for female entrepreneurs, particularly in developing countries, it is regarded as impeding the growth and sustainability of female-led SMEs. However, in the context of Comoros a culturally oriented society this research found that female entrepreneurs interviewed did not explicitly identify gender inequality as a major challenge. Instead, their concerns centered around access to capital and other challenges. This highlights the importance of interpreting female's entrepreneurial experiences in Comoros through a context-specific lens, recognizing that socio-cultural norms may shape opportunities in more implicit than obvious ways.

### **2.3.2 Collateral Problem**

Small and medium-sized enterprises (SMEs) drive economic growth in emerging markets. Female-led businesses deserve special consideration because they tend to invest more in their children's education and communities (Asiedu, Kanyama,

Ndikumana, & Nti-Addae, 2013). In many cases, SMEs are unable to access loans from conventional banks due to the conditions attached to these loans. Banks often refuse to lend to small enterprises because they lack acceptable collateral. Storey (1994) confirms that bank financing depends on whether the loan can be secured by collateral. To recover their money in the event of default, banks require collateral in the form of assets. Without collateral, banks have no way to protect their loan assets. Bester (1987) stated that collateral plays a vital role in mitigating lenders' risks associated with adverse selection and moral hazard. Compared to large firms, collateral requirements are especially significant for SMEs because they often lack physical assets to pledge as collateral, which may lead to credit rationing (Menkhoff, Neuberger, & Suwanaporn, 2006).

Brick and Palia (2007) discovered that loans secured by higher levels of collateral tend to have interest rates that are 200-400 basis points higher than loans with lower or no collateral. This suggests that, when the information gap is smaller, banks can more accurately assess a firm's risk, and riskier firms are charged higher interest rates. Furthermore, since SMEs are often owned and managed by individuals, the personal characteristics and wealth of the borrower can have a greater impact on the business performance of SMEs than it would for larger firms (Tirole, 2010).

A positive relationship between collateral and borrower risks was found in a study by Berger and Udell (1990). The study indicates that lenders use various sources, such as credit ratings and financial statements, to assess borrowers' risks. Consequently, borrowers with higher risks are subject to collateral requirements. This means that low-risk entrepreneurs may not be guaranteed a loan, or they may be offered an unsecured loan, while only high-risk borrowers benefit from secured loans. The challenge is that SMEs with solid business plans, but insufficient collateral are often denied credit because financial institutions cannot afford to take the risk of non-repayment. Financial institutions insist on collateral to minimize the risk of default.

In 2007, the World Bank conducted an enterprise survey among 560 small and medium-sized businesses in Bangladesh to understand better the collateral requirements of commercial banks. According to the survey, 67.14 percent of SMEs used land and

buildings as collateral to obtain bank loans. On the other hand, around 43% of SMEs provided personal assets as collateral, and approximately 29% pledged equipment and machinery. However, only 3.39 percent of businesses used receivables as collateral (Rahman, Rahman, & Ključnikov, 2016). Only low-risk borrowers are willing to accept contracts with high collateral, thereby distinguishing between low- and high-risk borrowers. In addition, borrowers with a higher probability of default tend to prefer contracts with lower collateral and interest payments compared to low-risk borrowers (Bester, 1987). This indicates that, under the conventional debt system, access to financing is determined by the ability to provide collateral, which in turn is linked to the level of risk associated with the SME. Berger and Udell (1990) argue that collateral-based lending practices present a barrier to SMEs seeking external financing due to their lack of assets.

In their research on financing obstacles, Beck et al. (2004) found that collateral was the second most significant obstacle faced by SMEs, following high-interest rates. They also demonstrated that small firms experience more financing obstacles than medium-sized firms, and both face more challenges than large firms. Smaller firms often struggle to provide collateral and, therefore, face greater financing barriers. Higher collateral requirements were identified as the third most common reason for firms not applying for external loans (Yaldız et al., 2014).

The studies above highlight the significant influence of collateral on SMEs' access to external financing. Because they often lack the ability to provide collateral, many SMEs continue to rely on internal financing. According to Mohd Aris (2007), this reliance on internal funds leads SMEs to operate with limited capital, which impedes their growth and expansion.

Moreover, the practice of requiring collateral is not encouraged in some contexts. Chapra (1992) argues that collateral requirements violate the principles of justice, which is a primary objective in Islam. He states that equitable distribution of financing is essential to achieving justice. In other words, banks should offer loans to a broader range of entrepreneurs rather than only a limited few. The existence of collateral creates inequitable distribution, as larger enterprises are more likely to access financing,

leaving small and poor entrepreneurs at a disadvantage. This inequitable allocation of financing prevents the achievement of the Islamic goal of fair income and wealth distribution (Usmani, 1998).

Chapra (1992) further explains that the development of SMEs is hindered by their inability to provide collateral. This prevents SMEs from contributing to economic growth, particularly in areas such as employment, poverty reduction, and GDP growth. Thus, financial institutions play a critical role in providing equitable financing to entrepreneurs. Instead of focusing on collateral, these institutions should emphasize the productivity of SMEs (Hasan et al., 2014).

The above discussion highlights the collateral issue within the conventional loan system. Collateral serves as a risk mitigation tool for banks, but it creates a burden for SMEs, which often lack assets to pledge. Land in Comoros is managed through three distinct legal traditions. Customary law allocates land along matrilineal inheritance lines, while Islamic law recognizes land ownership based on its productive utilization. Modern statutory law, however, upholds individual private property rights. As a result, multiple parties may assert claims to the same plot of land under different legal systems (Arab Land Initiative, 2025).

Therefore, women are customarily entitled to inherit property such as land and houses through the matrilineal system, but consent is required from family members before using these assets as collateral or mortgaging them (Arab Land Initiative, 2023; CAHF, 2023). This practice is a result of a plural legal framework, where customary, Islamic, and modern civil law co-exist.

Disputes over land are typically resolved through traditional and informal mechanisms. For instance, community elders and customary groups are the first to intervene, while formal courts are a less common recourse. Under modern law, land recorded in an individual's name is considered private property and is legally protected to ensure robust tenure security. On the other hand, traditional norms continue to dominate in Comorian society, often taking precedence over modern statutory provisions (Arab Land Initiative, 2025).

In brief, the coexistence of customary, Islamic, and modern legal systems in Comoros creates legal ambiguities around land ownership, particularly for women who inherit property through matrilineal lines but require family consent to use it as collateral. As traditional norms often take precedence over formal law, this plural legal environment has a significant barrier for female entrepreneurs seeking access to loan, as they struggle to leverage inherited land for financing.

### **2.3.3 Strict Review of Loan Applications**

Banks are very strict when reviewing loan applications from SMEs, subjecting them to cumbersome credit procedures. The loan vetting process takes so much time that loans are delayed and issued when their intended purposes have expired. Poor business conditions and strict banking policies prevent SMEs from receiving financial assistance. Raza et al., (2017) confirmed that traditional banks do not facilitate this sector (KPMG, 2016).

Banks impose stringent credit conditions on informal businesses because they are considered information-opaque and often cannot provide audited financial statements when seeking financing. Relationship lending studies indicate that small businesses that maintain long-term relationships with their banks can mitigate the asymmetric information problem (Carter et al., 2004). However, information generation through relationship lending is expensive, making banks hesitant to lend to SMEs. Because of the information gap between lenders and borrowers, commercial banks impose strict loan terms to avoid defaults (García-Teruel et al., 2014).

The strict review of loan applications by formal banks in Comoros creates a vicious cycle: without access to capital, their businesses struggle to scale or formalize, which in turn reinforces their exclusion from the formal credit system. Given this context, alternative lending models such as Islamic social finance mechanisms like waqf-based financing may offer more flexible and culturally appropriate avenues for capital access. These models often rely on group-based lending, social trust, or religious obligations rather than conventional collateral, making them potentially more effective

for underbanked segments of the Comorian SME landscape (Obaidullah, 2016; UNCDF, 2021).

#### **2.3.4 Financial Illiteracy**

Financial literacy is crucial for identifying financial behaviours that lead to good financial management. It empowers entrepreneurs to understand key financial concepts such as interest rates, risks, returns on investment, inflation, and diversification. Financial literacy enhances businesses and individuals' ability to manage money and financial concerns (Hilgert *et al.*, 2003). According to Kim (2001), financial literacy is a basic skill necessary to succeed in today's business and society. Mitchell (2007) defines financial literacy as being informed about all aspects of savings, investments, and decumulation in everyday financial decisions, while Stone *et al.* (2008) define it as understanding how to manage debt effectively. Therefore, financial literacy is the ability to make informed financial decisions (Novo, 2012). Female entrepreneurs, through financial literacy, can manage personal and household finances, access financial services, and develop entrepreneurial activities (OECD, 2005).

However, Jiyane and Zawada (2013) confirmed that entrepreneurs in the informal sector often have low skill levels, limited access to organized markets, and unstable incomes. Many SME owners do not understand the terms and conditions of loans or the implications of interest rates.

Microfinance institutions sometimes fail to provide full details about loan terms. Some take advantage of the entrepreneurs' lack of education by not explaining interest rates and their implications on loans (Kwaning *et al.*, 2015). Ripain *et al.* (2017) found a significant relationship between the candidates' financial literacy levels and their ability to manage SME programs. Their study indicated a low level of financial literacy among entrepreneurs, leading to poor decision-making regarding financial statements and loan acquisition.

Tuyisenge *et al.*, (2015) identified bookkeeping, credit management, and budgeting as areas where financially illiterate managers face significant difficulties.

Mutua (2015) emphasized the importance of accurate record-keeping for SME success. His study revealed that many SMEs fail to maintain proper accounting records due to their managers' lack of financial literacy, and they find it too costly to hire professional accountants. Alsemgeest and Smit (2008) argue that adequate financial education is essential for SMEs to ensure their success.

Financially illiterate entrepreneurs struggle with bookkeeping, credit management, budgeting, and accounting issues, which leads banks to consider them high-risk borrowers, making it harder for them to secure loans.

Financial illiteracy remains a significant obstacle for female entrepreneurs in Comoros, limiting their ability to access and manage formal financial services, assess creditworthiness, or comply with institutional lending requirements. This lack of financial knowledge often leads to missed opportunities for business growth, even when female entrepreneurs possess valuable inherited assets. To address this gap, targeted educational programs focused on financial literacy and business management are essential. Those initiatives would empower entrepreneurs with the tools to make informed decisions, engage effectively with financial institutions, and confidently navigate the complexities of credit and collateral (UNCDF, 2022).

### **2.3.5 Interest Rates**

Operating in a fully conventional financial system presents significant challenges for SMEs in Comoros, as no alternative financing options are available to them. One of the main obstacles in this system is the presence of interest on loans. In conventional finance, loans or debts are repaid in the future based on the concept of the time value of money. This principle states that a given amount of money today is worth more in the future due to its potential earning capacity. Lokken (1986) defines the basic rule of the time value of money as follows: all deferred transactions must explicitly or implicitly include interest. As a result, any loan taken under this system is subject to interest payments, meaning borrowers must repay more than they initially borrowed.

In the conventional banking system, banks generate money through interest on their products, such as loans, and debt creation is not backed by any physical commodity. Kameel et al. (2009) define this as fiat money, which has no intrinsic value and exists in the form of paper or electronic currency. The consequence of such transactions is that money is created out of nothing and expands within the market by accumulating debt with interest. When SMEs default on their loans, their wealth is transferred to the bank (Meera & Larbani, 2009). These authors further argue that both governments and businesses become increasingly indebted, sometimes reaching unsustainable levels because money in this system grows in the form of debt. As a result, SMEs that cannot manage their debt burden ultimately face collapse.

In a conventional banking system, SMEs face losses in two keyways: first, they must provide collateral as security for loans, and second, they must repay the debt along with interest. Meanwhile, banks benefit from both situations. In this system, SMEs are not the priority; instead, banks focus on profit maximization, which was one of the main factors contributing to the 2008 financial crisis (Smolo & Mirakhor, 2010).

Furthermore, in a country like Comoros, where the financial system is entirely conventional and interest rates are high, SMEs operate in an unstable economic environment. For example, during the 1997 financial crisis, countries with interest-based economies experienced widespread panic among lenders, large-scale credit withdrawals, credit crunches, and bankruptcies. Ariff and Abubakar (2007) confirm that many countries responded by increasing interest rates to attract investors.

The significant impact of interest rates on SMEs is also evident when they qualify for financing. When repaying loans, SMEs must pay back both the principal amount and the interest, which is calculated based on the repayment duration. Additionally, interest rates fluctuate over time, adding further uncertainty. Before accessing loans, SMEs are often required to present financial statements and business plans. This requirement makes it particularly difficult for startups, which may not meet these criteria, to obtain financing. Moreover, since SMEs are considered high-risk borrowers, banks charge them higher interest rates compared to large firms, making loans even more difficult to access.

Debt negatively affects firms' performance, as the return on assets is often lower than the interest rate on debt (Abor & Quartey, 2010). Additionally, debt and firm performance are inversely related because high loan costs reduce the business's free cash flow (Abor, 2007). High financing costs force SMEs to allocate a significant portion of their earnings toward loan repayments, limiting the funds available for reinvestment in their businesses.

From an Islamic perspective, Comoros, as an Islamic country, should be able and willing to offer SMEs *Shariah*-compliant financial products. Islamic jurists unanimously agree that interest (*riba*) on debt is prohibited. Chapra (2000) defines interest as an increment, addition, or expansion, and in *Shariah* terms, it refers to the premium that a borrower must pay to the lender alongside the principal as a condition of the loan or an extension of its maturity.

The economic rationale behind the prohibition of interest is that it contradicts the principle of justice. To promote fairness in the financial system, risks associated with financing should be shared between financiers and borrowers (Chapra, 2000). However, in a conventional system like that of Comoros, all risks and financial burdens are placed solely on SMEs, while banks secure predetermined interest returns even in the event of a loss. In contrast, Islam does not distinguish between capital and entrepreneurship as separate factors of production. Instead, capital contributors must assume associated risks to be eligible for profits (Usmani, 1998).

Interest-based transactions are prohibited in Islam because money itself is not a tradeable commodity and has no intrinsic value; rather, it serves as a medium of exchange. Usmani (1998) asserts that profit can only be generated when something with intrinsic value is sold for money or when different currencies are exchanged. This principle confirms that charging interest on loans results in the creation of money from nothing, rendering such transactions impermissible (*haram*).

In summary, interest-based loans pose significant challenges for SMEs in Comoros by restricting their access to loan. To address this issue, SMEs should be offered *Shariah*-compliant financial products instead of relying solely on conventional,

interest-based loans. Although banks in Comoros offer a wide range of loan options, the presence of interest does not favour SMEs, leaving them with continued difficulties in accessing financing.

### **2.3.6 Credit Rationing**

Jaffee & Modigliani (1969) defined credit rationing as a situation where the demand for loans exceeds the supply of loans at the loan rate quoted by the bank. In this case, SMEs may receive a lower loan amount than they applied for or may not receive the loan at all. Uncertainty and asymmetric information in the credit market, which create adverse selection and moral hazard, are the reasons behind credit rationing (Jaffee & Modigliani, 1969). As a result, SMEs' access to financing is restricted, or they may not have sufficient funds to finance their business, which prevents their growth.

In relation to gender, Becker (1971) confirmed that the credit market can discriminate against female entrepreneurs in various, and often overlapping, ways: lenders may charge higher interest rates on loans offered to female entrepreneurs compared to their male counterparts; they may require stronger contractual arrangements when considering granting loans to women; or they may require a better credit profile for female entrepreneurs seeking loans. Croson and Gneezy (2009) confirm that, on the demand side, there is an aversion to risk, and females may have lower negotiation skills than men (Giglio, 2020). Additionally, female entrepreneurs tend to apply for smaller loans because they prefer to run small businesses and are often unwilling to take on debt (Giglio, 2020). There is a difference in the demand patterns among female entrepreneurs, even when their applications do not show a significantly higher probability of being rejected (Coleman, 2000; Cole & Mehran, 2009). Robb and Walken (2002) find that women are more likely to borrow through credit cards because they fear rejection.

Pawlowska and Mullineux (1999) confirm that when SMEs are unable to provide collateral, banks ration their credit by offering a lower loan amount to reduce their exposure to credit risks. It can be deduced that small firms unable to provide

collateral are most likely to suffer from credit rationing. The availability of collateral significantly impacts the credit rationing decision by the bank. Further, Metu and Nwogwugwu (2022) confirmed that the theory of asymmetric information helps to understand how credit rationing could lead to discrimination in the credit market. Credit discrimination occurs when one class of borrowers receives more or less credit than others. Internal selection and external credit rationing help determine whether borrowers and loan amounts differ among categories of loan applications (Metu, 2017).

Another strategy that banks use is imposing strict requirements on SMEs applying for loans to discourage risk firms, particularly SMEs, from applying for loans (Pawlowska & Mullineux, 1999). This discourages small enterprises from applying for loans, as they already know the high probability that their loan application will be denied (Blumberg & Wilko, 2008). Credit rationing can also take the form of a short-term loan to SMEs rather than a long-term one (Pawlowska & Mullineux, 1999). In this case, SMEs are unable to meet the full loan amount needed, and therefore, they will have insufficient funds for their businesses.

In Comoros, despite modest growth in financial services, access to formal credit remains limited. As of 2020, only 135 bank accounts per 1,000 adults and 15 borrowers per 1,000 adults were recorded in the formal banking system, indicating a low level of financial inclusion relative to regional and global standards (The Global Economy, 2024; IndexMundi, 2024). However, microfinance institutions served 34,863 active borrowers in 2023, reflecting their growing role in meeting the financing needs of individuals and small enterprises (FRED, 2024). These figures highlight the reality of credit rationing in Comoros and indicate that such challenge restrict access to capital for SMEs particularly female entrepreneurs. This reliance on MFIs and informal loan mechanisms highlights the need for policies that support alternative lending frameworks tailored to the local context.

In summary, the challenge that SMEs face due to credit rationing is that either they do not have access to financing, they are given insufficient funds, or they are eligible only for short-term financing. As a result, credit rationing limits SMEs' access to financing in the conventional system.

## 2.4 CHAPTER SUMMARY

The main highlight of this chapter is a comprehensive overview of SMEs, with a focus on Comoros. While SMEs play an important role in economic growth, their definitions vary from country to country. As such, the chapter begins with an overview of SMEs, including various definitions across countries and a specific definition in Comoros, which classifies SMEs by turnover.

Further, the chapter explores the structure of Comorian SMEs, including the formal and informal sectors, highlighting their divergence and importance. The development sector in Comoros consists of the primary, secondary, and tertiary sectors. The primary sector contributes approximately 36% of real GDP, with agriculture dominating the primary sector, accounting for 78% of its output. It is also stated that the agriculture sector comprises both formal and informal sectors. According to 2021 statistics, 23,489 women are working in the informal agriculture sector in Comoros. Thus, Comoros' economy relies heavily on the primary sector, particularly agriculture, which provides 57% of employment and nearly 90% of export revenue.

Additionally, the chapter discusses the infrastructure supporting SMEs in Comoros, detailing the availability of regulatory frameworks and support aimed at contributing to the growth and sustainability of these enterprises. The country's judicial system, with a mix of French civil and Islamic law, includes commercial courts that facilitate business dispute resolution. Additional support includes the National Agency for the Promotion of Investment, which offers tax relief, administrative assistance, and entrepreneurial credit.

The chapter also identifies and analyses the challenges faced by female entrepreneurs. These challenges include gender inequality, collateral issues, strict review of loan applications, financial illiteracy, interest rates, and credit rationing. The chapter concludes by summarizing the key points discussed.

## CHAPTER THREE

### **ZAKAT AND WAQF: SIGNIFICANCE, INSTITUTIONS AND POTENTIAL TO FINANCE FEMALE ENTREPRENEURS IN COMOROS**

#### **3.1 INTRODUCTION**

*Zakat* and *waqf* are considered key instruments of Islamic social finance, aimed at promoting the economy and supporting those in need. *Zakat* is an obligatory charitable contribution intended for wealth distribution, while *waqf* is a voluntary endowment for charitable or public purposes. While Chapter One discussed the potential of *zakat* and *waqf* in addressing the challenges female entrepreneurs face in accessing loans, Chapter Two highlighted these possible challenges. This chapter explores the contribution of *zakat* and *waqf* as financing mechanisms for SMEs, particularly female entrepreneurs. Therefore, the key points of this chapter include: first, the definitions of Islamic social finance instruments, *zakat*, and *waqf*; second, the significance of *zakat* and *waqf* as instruments for financing entrepreneurs; third, the institutions of *zakat* and *waqf* in Comoros and the potential of *zakat* and *waqf* as tools to finance female entrepreneurs in Comoros; and lastly, the chapter summary.

#### **3.2 ISLAMIC SOCIAL FINANCE INSTRUMENTS**

*Shariah* principles address every aspect of life, including taking care of one another. This aligns with the *Shariah* principle of protecting one's life. Accordingly, Islamic social finance offers a unique and ethical approach to responding to people's needs by addressing social concerns. In this regard, Harji and Hebb (2010) define social finance as the deliberate, intentional application of tools, instruments, and strategies to enable capital to achieve social, environmental, and financial returns. It is a method of investing and managing funds with the goal of addressing societal issues (MaRS, 2016).

In 2013, a workshop organized by IRTI, IDB, and IPB University in Indonesia discussed Islamic social finance for the first time (Ismail & Aisyah, 2021). Subsequently, on November 6, 2014, during a meeting of the Governors of Central Banks and Monetary Authorities of OIC Member States in Surabaya, Indonesia, the OIC Secretary-General revitalised the concept of Islamic social finance—particularly *zakat* and *waqf*—as a means to mobilise adequate resources to address financial exclusion, poverty, and unemployment among vulnerable populations in OIC countries (Islamic Research and Training Institute, 2020).

Islamic social finance is a sector that includes traditional Islamic institutions based on philanthropy, such as *zakat*, *sadaqah*, and *waqf*, as well as institutions based on mutual cooperation, such as *qard* and *kafalah*, and contemporary Islamic microfinance institutions (IRTI & Thompson Reuters, 2017).

Islamic social finance (ISF) is hence considered the use of Islamic social finance tools, instruments, and strategies in favour of society. The term "Islamic social finance" refers to the Islamic philanthropic and non-profit sector (Islamic Research and Training Institute, 2020). In 1998, Al-Zarqā' emphasized that Islamic instruments such as *waqf*, *zakāt*, and *qard ḥasan* were established as mechanisms for redistributing income and wealth to ensure the provision of basic needs within society.

In the same vein, ISF has been categorized by Zain and Ali (2018) as follows: Islamic traditional instruments based on philanthropy, such as *waqf*, *zakat*, and *sadaqah*. ISF can be divided into three major categories: (a) Islamic traditional instruments based on philanthropy, such as *zakat*, *sadaqah*, and *waqf*; (b) cooperative foundations, with *qard* and *kafala* being two examples (Islamic Social Finance Report, 2015); and (c) other contemporary Islamic financial services, such as Islamic microfinance, *sukuk*, and *takaful* (Mahmud, 2015). Therefore, the Islamic social finance instruments that will be used in this research are *zakat* and *waqf*.

### 3.2.1 The Basis of *Zakat*

The foundation of Islam is based on five pillars: *shahadah*, which is the sincere recitation of the Muslim profession of faith (bearing witness that there is no deity worthy of worship but *Allah*, and bearing witness that Muhammad is His servant and messenger); the performance of five daily prayers; and third, *zakat* (Scott, 1987; Ali *et al.*, 2015), underscoring the importance of *zakat* in Islam. *Zakat* is considered one of the core tenets of Islam, with deep spiritual significance. Its purpose is wealth distribution, poverty alleviation, and promoting social responsibility within the Muslim community. It has been an obligatory practice since 2 *Hijri* (624 AD) (Zaid, 2004).

The literal meaning of *zakat* is defined by Qardawi (1988) as follows: the word *zakat* is derived from the root word “*zaka*,” which means blessing, growth, cleanliness, good, and praiseworthy. The root of the word *zakat* comes from the Arabic word *az-zakaa*’, which can mean growth, purity, or blessing (Masroom, Mohd Yunus, & Huda, 2020). Manzur (1997) described the two meanings of *zakat* as giving away property and purifying the soul. *Zakat* literally means “growth.” It can be interpreted as an increase in ‘real’ wealth, a rise in the community, or a rise in the purified soul (Ahmad & Mahmood, 2009).

Conceptually, *zakat* refers to the issuance of a certain amount of wealth, as required by Allah *SWT*, to be given to those who are entitled. Thus, *zakat* represents the blessing, purity, development, and goodwill of the property after it is distributed at a specific rate to the recipient (Qardawi, 1988; Embong *et al.*, 2013). Nu, Salman, and Ilyas (2014) defined *zakat* as the amount of money or kind taken from a specific type of wealth when it reaches a certain amount at a specific time, which must then be spent on designated categories in specified ways. In other words, *zakat* is the mandatory fulfilment of statutory rights over certain assets in a particular form, subject to the specific *haul* and *nisab*, or specific amount and timeframe (Al-Mualifin, 1989). *Zakat* can also be legally defined as a certain level of property that must be managed to be given to the rightful people who meet certain conditions (Al-Khin, Al-Bugha, & Al-Syarbaji, 1992). Al-Qaradhawi (1973), on the other hand, explained that *zakat* is a

specific rate determined from property made obligatory by Allah SWT to be distributed to the rightful individuals.

*Zakat* is a specific amount due on Muslims' property, to be distributed to deserving Muslims. In a legal sense, it refers to "a right on wealth," or the specified portion of Allah's wealth designated for distribution to certain beneficiaries (Ahmad & Mahmood, 2009). Abdullah and Suhaib (2011) defined *zakat* as an obligatory (*Fard*) act for all Muslims, both men and women, who are *Sahib-e-Nisab*, meaning they possess a specified limit of wealth. Each year, they must pay a prescribed portion from capital or savings, such as farm produce, cattle, business activities, paper currency, and precious metals like gold and silver. *Zakat* is an annual payment required by Islamic law, made from an individual's possessions, including wealth and income. It serves both religious and charitable functions. According to Islamic principles, *zakat* purifies one's possessions from potential impurities associated with how they were acquired (Saad & Al Foori, 2020).

### ***3.2.1.1 Evidence from the Quran and Sunnah***

Ibn Rushd confirmed that the obligation of *zakat* is established through evidence from the Quran, Sunnah, and consensus. There is no difference of opinion on this matter (Ibnu Rusyd, 2016). Ibn Qudamah shares the same opinion, stating: "Muslims in all lands are agreed that *zakat* is obligatory" (Ibnu Qudāmah, 1997).

The Holy *Quran* mentions *zakat* more than eighty times. It is a duty from Allah, just like the duty of *Salat*. Allah commands in the Holy Quran: "So, establish *Salat* and give *zakat*, and hold fast to Allah" (Qur'an, 22:78). In Surah al-Baqarah, Allah SWT stated: "And pray, pay *zakat* and bow with those who bow" (Qur'an, 2:43). In another verse, Allah SWT commands the Prophet (PBUH) to: "Take, (O Muhammad), from their wealth a charity by which you purify them and cause them increase and invoke (Allah's blessings) upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing" (Qur'an, 9:103).

Moreover, the Prophet Muhammad (PBUH) emphasized the importance of paying *zakat*. As one of the five pillars of Islam, he said: "Islam was built upon five pillars: to witness that there is no God but Allah and that Muhammad (PBUH) is his servant and messenger, performing prayer, giving *zakat*, performing pilgrimage, and fasting the month of Ramadan" (Abdullah & Suhaib, 2011). He further advised his companion Mu'adz when he sent him to Yemen, saying: "Teach them that Allah obliges them to pay *zakat* on their wealth, which is taken from the rich and given to the poor" (Al-Bukhāri, 1893, no. 1395; Muslim, 1955, no. 19). The Prophet also confirmed that giving *zakat* is one of the reasons a person can reach the rank of *as-Siddiqin* and martyrs. Amr ibn Murrah al-Juhani reported: A man from *Qudha'ah* came to the Messenger of Allah (peace and blessings of Allah be upon him) and said: "I have testified that there is no god but Allah and that you are the messenger of Allah, I have prayed the five daily prayers, I have fasted Ramadan, made *qiyamul lail* in it, and paid *zakat*." The Messenger of Allah (PBUH) replied: "Whoever dies while doing these things will be among the truthful and martyrs" (Hanbal, 2009). He also said: "Five things that if a person does with faith, he will enter Paradise; namely, whoever maintains the five daily prayers with their ablutions, bowing, prostration, and timing, performs the fast of Ramadan, *Hajj* to the House of Allah if able, pays *zakat* with conscience, and fulfils the mandate" (Abu Dawud, 2009, no. 429).

### 3.2.2 The Basis of *Waqf*

The word *waqf* is derived from the Arabic verb *waqafa*, which means "to stop." In other words, *waqf* literally means to hold, detain, or restrain. *Waqf* can also mean making an endowment of houses and keeping its gains in the way of God (Ma'luf, 2017). It means withholding, prevention, tranquillity, or silence in Arabic.

As a technical term, it refers to any property whose proceeds are devoted, for as long as it exists, to specific social services chosen for a particular purpose (Maghbub & Alhajam, 2018). The word *waqf* is an Arabic term which literally means to stop, to hold, confinement, or prohibition (Kahf, 2007b). Ahmed (2004) in his book mentioned that *waqf* is "a voluntary act of charity" and is under the same category as *Sadaqah*. He

further defines the word *waqf* in its linguistic and technical meanings. Linguistically, *waqf* means "to stand still, hold still, and not let go."

Mohammad, Hamid, and Imane (2006) defined *waqf* technically as the protection of something by preventing it from becoming the property of a third person. Therefore, it is an irrevocable gift of corporeal property for the benefit of the donor's family or someone else or something, in perpetuity, as a charity promised and executed normally during the lifetime of the donor, which is not capable of being transferred, gifted, or transmitted thereafter.

Kahf (1998), on the other hand, gives the meaning of *waqf* as holding and preventing a *maal* (an asset) for the purpose of using the benefits to meet its philanthropic objectives. *Waqf* assets are required to be utilized strictly within the parameters set by the donor and cannot be diverted from their intended purpose (Kahf, 2003; Abul Hassan & Shahid, 2010). Consequently, it is understood that properties designated as *waqf* must possess enduring qualities, ensuring they provide continuous benefits to society and are not subject to deterioration or depletion.

### ***3.2.2.1 Evidence from Quran and Sunnah***

From the Quranic view, there is no specific mention of *waqf*, however, there are sanctions and encouragement to give alms. Among the verses that Allah (SWT) encourages giving charity and promises great rewards are as follows: "Those who spend their wealth (in Allah's cause) by night and day, in secret and public, they shall have their reward with their Lord. On them shall be no fear, nor shall they grieve" (**Qur'an**, 2:274). In another verse, it is stated that: "By no means shall you attain Al-Birr (piety, righteousness — meaning Allah's reward, i.e., paradise), unless you spend (in Allah's cause) of that which you love; and whatever of goods you spend, Allah knows it well" (Qur'an, 3:92).

In the subsequent verse, Allah (SWT) affirms that: "Verily those who give *Sadaqah* (i.e., *zakat* and alms), men and women, and lend a good loan, it shall be increased manifold (to their credit), and there shall be an honourable good reward (i.e.,

paradise)” (Qur’an, 57:18). The next verse reaffirms Allah’s (SWT) statement, declaring that: “The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and knowing. Those who spend their wealth in the way of Allah and then do not follow up what they have spent with reminders [of it] or [other] injury will have their reward with their Lord, and there will be no fear concerning them, nor will they grieve” (Qur’an, 2:261–262).

By closely examining these Qur'anic verses, it is evident that Islam strongly encourages the sharing of wealth through donations and almsgiving. As a result, *waqf* stands out as a powerful tool for providing sustainable and ongoing benefits to beneficiaries, making it an ideal means of fulfilling this purpose.

The Prophet (PBUH) clearly stated the legitimacy of *waqf* in several Hadiths (Cizakca 1998). Narrated by Abu Hurairah, the Prophet (PBUH) said: “When a man dies, all his acts come to an end, except three; recurring charity (*Sadaqah jariyah*), knowledge (by which people benefit), or a pious offspring who prays for him” (Al-Tirmidhi 1967:660, cited in Ibrahim & Ibrahim, 2013; Mohd. Ali *et al.*, 2015). This *Hadith* establishes a definitive foundation for the legitimacy of *waqf*. The concept of recurrent charity, as mentioned in the *Hadith*, refers to the act of donating one's possessions, property, or land for the benefit of others without expecting any return.

Such an act becomes a form of continuous *sadaqah* (charity), providing ongoing benefits to the recipients. In turn, the individual who engages in this form of charity is promised a reward from Allah, which will benefit them in the afterlife. The belief in the reward from Allah (SWT) in the afterlife greatly motivated Muslims to donate their assets, particularly land, for *waqf*. This strong faith in the *Hadith* inspired such fervour that nearly three-quarters of the land in Arabia and other regions were endowed as *waqf* properties.

Another *Hadith* of the Prophet that supports *waqf* is that concerning Umar Ibn Khatab when he went to the Prophet (PBUH) and said: “Oh Messenger of Allah! I got

land in Khaiber, which is the most precious property I have ever had. What do you advise me to do with it?" The Prophet (PBUH) said, "If you want, you can make it *habs* (bequeath) it and give it as *Sadaqah* (charity), with the condition that it should not be sold, bought, given as a gift, or inherited" (Sahih Muslim Hadith: 4006; Sunan An-Nasa'i Hadith: 3681). Umar, complying with the advice of the Prophet (PBUH), gave it as a charity for the poor, relatives, slaves, wayfarers, and guests. However, there is no harm if the person in charge feeds himself or his friend from it for free, without profiting (cited in Babacan 2011; Kahf 2014).

### **3.3 SIGNIFICANCES OF *ZAKAT* AND *WAQF* AS INSTRUMENTS FOR FINANCING ENTREPRENEURS**

#### **3.3.1 The Significant of *Zakat* in Supporting Economic Stability while Assisting Entrepreneurs**

*Zakat* and *waqf* are not only meant to achieve the redistribution of wealth, but they also have the potential to contribute to economic growth in Muslim communities. Ibrahim (2008) asserts that *zakat* issuance can improve the economic well-being of the ummah, based on evidence from several empirical studies on *zakat*. A study conducted by Salleh and Ngah (1980) notes that *zakat* disbursed to rice farmers in Perak, Kedah, Kelantan, and Terengganu helped improve the distribution of income. In the same context, Jehle (1994) concluded that *zakat* can improve the distribution of income in Pakistan. A more specific study on the impact of *zakat* on income distribution for two categories of *zakat* recipients—the needy and the poor—in a state in Malaysia was conducted by Ibrahim (2006). She found that *zakat* reduced income inequality and poverty. *Zakat* plays its role in macroeconomic stabilization policy through both non-discretionary and discretionary policies (Yusoff M. B., 2006). The built-in stabilizer mechanism occurs when *zakat* collection is automatically reduced during recessions, giving more money to people to spend, which tends to stimulate the economy; while during boom periods, more *zakat* is collected, reducing people's ability to spend, which tends to dampen economic activity. This helps reduce macroeconomic fluctuations. As a discretionary fiscal policy, the government varies the disbursement of *zakat* to recipients whenever necessary during different phases of the business cycle. During the expansion phase of the business cycle, the government decreases *zakat* disbursements to reduce aggregate

spending. Conversely, *zakat* disbursements are increased when the economy is in a downswing to encourage greater aggregate spending.

The GDP ratio exceeds the Poverty Gap Index to GDP (PGIGDP) ratio in all but three countries, with the poverty line defined at \$1.25 a day. This means that the aggregate resources pooled together from potential *zakat* collections in 17 Organization of Islamic Cooperation (OIC) countries would be sufficient to fund poverty alleviation efforts in all 17 OIC countries combined (Shaikh & Ismail, 2017). Furthermore, *zakat* is a fundamental aspect of the Islamic economy, bringing equilibrium between the rich and the poor, thereby strengthening the economy at both the national and global levels (Al-Mamun & Haque, 2015). Additionally, *zakat* payment on saved wealth might stimulate investment in society, encouraging people to invest their money or contribute capital to small enterprises. This investment leads to the growth of small businesses, which in turn helps reduce unemployment. Thus, *zakat* payments foster inclusive economic growth that not only boosts the economy but also reduces unemployment, poverty, and the wealth gap, without harming the environment.

Moreover, Siddiqui (2015) confirms that *zakat* is a fiscal policy mechanism that ensures economic activity remains at the level necessary to fulfill basic needs. This is why governments should pay close attention to the payment and distribution of *zakat*. Further, *zakat* should be strategically used as a financing tool to boost economic and social activities. To avoid the lack of focus that has occurred in the past, both the government and society must collaborate to rebuild the spirit of *zakat* (Faisal, 2011). In their research, Hassan and Khan (2007) demonstrated that *zakat* funds can enhance government revenue potential by improving productivity, employment, and production. These funds could replace up to 21% of the Annual Development Programme (ADP) in 1983/84 and up to 43% in 2004/2005 in Bangladesh. This suggests that Muslim governments should seriously consider optimizing the use of *zakat* as a source of investment funds for economic growth and development, as it is believed to provide greater socio-economic justice and more equitable wealth distribution (Mahat & Warokka, 2013). For instance, in Malaysia, *zakat* has had a positive effect on economic growth (Yusoff M., 2011), and in Pakistan, *zakat* can increase household prosperity and contribute to economic growth (Azam, Iqbal, & Tayyab, 2014).

Financing models using *zakat* and *waqf* have been proposed by researchers. For instance, Hassan (2010) integrated two traditional Islamic tools for poverty alleviation—*zakat* and *waqf*—with the evolving concepts of Islamic microfinance. Results showed that the proposed model’s fundamental nature could ensure equitable distribution and welfare among the disadvantaged. Since the concept is based on profit sharing and concessional contracts, earnings should be distributed among various stakeholders such as depositors, shareholders, and NGO investors. In the long run, the suggested approach will be financially viable and sustainable because lower default rates minimize the misuse of *zakat* funds, which do not require a return. This creates a win-win situation for all parties involved.

Similarly, in 2013, Ismail and Possumah proposed a model aimed at eradicating poverty and empowering people. In their study, they integrated *zakat* into micro-finance institutions (MFIs). Using theoretical foundations of joint liabilities and decentralization, their results showed that: first, joint-liability contracts can save MFIs money on processing, screening, and loan collection. In summary, the assumption is that a joint-liability contract can lower transaction costs. Second, the decentralization policy ensures that *zakat* transfers continue to benefit the needy. Third, the contribution of *Zakat*-Based MFIs is to provide capital to the poor and needy so they can start their own enterprises, along with a motivation to repay the loan without incurring further penalties.

*Zakat* institutions implement *asnaf* entrepreneurs through the “Turning Over Model,” in which *zakat* is distributed to potential *asnaf* (those eligible for *zakat*) to assist them in creating and growing businesses under the supervision of *zakat* organizations (Sabri & Hasan, 2006). This model helps *Asnaf* create businesses and provides them with an opportunity to work and earn a better living, while reducing their dependence on *zakat* payments. This approach reflects the example of Rasulullah PBUH, who encouraged self-sufficiency. Prior to this, Din *et al.* (2019) revisited the concept of *asnaf* entrepreneurs’ *zakat* contributions to business by analyzing compliance behavior. Their results indicated that *zakat* contributions in the “Turning Over Model” are essential. The Islamic foundation emphasizes responsibility in *zakat* fund administration, which cannot be separated from Islamic teachings.

In recent studies, Maulana *et al.* (2023) reported that the Amil *Zakat* Institution (LAZ) uses *zakat* funds to provide capital for SMEs, enhancing their productivity and welfare. This practice has resulted in an increase in the income and economic conditions of the recipients (Sutrisno & Haron, 2022). Azizah *et al.* (2023) proposed the sociopreneurship model, which introduces halal branding and digital marketing to enhance SMEs' competitiveness, ensuring that *zakat* funds are used effectively for community development. The model encourages SMEs to transition from recipients to donors, promoting a cycle of giving that alleviates poverty (Waldelmi & Aquino, 2024). Additionally, the Center for *Zakat* Management (CZM) in Bangladesh initiated a *zakat*-based approach to help poor women start their businesses by providing them with capital. This initiative has shown an increase in income, household expenditure, and asset accumulation over time (Anis & Kassim, 2016).

### **3.3.2 The Importance of Waqf in the Economy and in Facilitating Access to Finance for Female Entrepreneurs**

Historically, waqf has played a crucial role in the economy and continues to hold great potential (Çizakça, 1998). It is regarded as a fundamental economic institution that generates economic activities while ensuring benefits for specific segments of society (Alhabshi, 1991). In its original economic sense, waqf can be defined as the allocation of funds and other resources away from immediate consumption and their investment in productive and sustainable assets that generate revenue for future consumption by individuals or society at large. Thus, *waqf* represents a perfect balance between saving and investment. Kahf (1998) affirms that waqf involves the sacrifice of present consumption opportunities for a benevolent purpose—providing income and services to society and future generations.

Moreover, *waqf* is not only an investment but also a growing investment, in line with its principle of perpetuity. *Waqf* assets cannot be sold or disposed of in any form; they must remain within the waqf domain perpetually. When new *waqf* assets are established, they are added to the existing domain. This principle is supported by historical records from Muslim lands, where *waqf* properties were estimated to constitute over one-third of agricultural land in several countries, including Turkey,

Morocco, Egypt, and Syria (Kahf, 1998). Consequently, the *waqf* institution and its mechanisms can make substantial contributions to economic development in modern times.

Another key aspect is *waqf*'s role in promoting private-sector participation while reducing government involvement in the economy (Nik Hassan, 2008). By encouraging voluntary private-sector contributions, *waqf* allows the government to assume a more appropriate and balanced role. An efficiency-driven economy is often propelled by an active private sector, whereas excessive government bureaucracy tends to centralize economic activities. Historical evidence shows that *waqf* facilities have funded and managed various public services—including religious, social, scientific, and modern infrastructure needs—without any financial burden on the government (Saduman & Aysun, 2009).

Additionally, *waqf* can help reduce deficit financing and lower interest rates. Government deficit financing often leads to financial instability. In today's volatile global economic climate, reducing public-sector borrowing is essential to prevent future financial crises. The East Asian financial crisis serves as a lesson, demonstrating how excessive borrowing—both public and private, particularly from external sources—had devastating economic consequences (Nik Hassan, 2008). The *waqf* system offers a viable solution by significantly reducing government expenditure, thereby lowering the budget deficit and decreasing the need for government borrowing. This reduction in public borrowing helps mitigate the crowding-out effect and, ultimately, leads to lower interest rates—an essential factor for fostering private investment and economic growth (Çizakça, 1998; Budiman, 2014).

One of the primary objectives of *waqf* is income redistribution within the economy. Through voluntary contributions from the wealthy for public benefit, *waqf* plays a crucial role in wealth redistribution (Nik Hassan, 2008). Unlike the short-term impact of government fiscal policies, *waqf* helps prevent the concentration of wealth within certain segments of society (Siddiqi, 1996). Çizakça (2000) supports this notion, asserting that a more equitable income distribution—one of the key goals of modern

economic systems—can be achieved through waqf. Similarly, Baskan (2002) highlights waqf's role as a long-standing solution to economic disparities in the Islamic world.

Better income distribution can lead to poverty eradication. Sadeq (2002) argues that charity is a powerful tool for alleviating poverty, as it has played a crucial role in addressing economic hardships throughout history. The Quran emphasizes that wealth should circulate among all members of society (Al-Hashr [59]:7) and be purified through charity (Al-Taubah [9]:103). Charity is classified into two categories: (1) voluntary charity (*sadaqah*), which includes waqf (pious endowment), and (2) obligatory charity (*zakat*) (Bonner, 2005). Furthermore, waqf can be used to promote knowledge and entrepreneurial skills among the poor. Microfinance alone is insufficient for wealth creation; it must be complemented by skill development programs. In fact, various technical assistance initiatives—including those aimed at poverty alleviation—can be structured as waqf (Obaidullah & Khan, 2008).

In particular, cash waqf has gained recognition as a tool for achieving socio-economic objectives at the community level (Aldeen, Ratih, & Herianingrum, 2020). Indonesia, for example, has successfully implemented cash waqf financing for social purposes. Affandi and Nufus (2010) confirm that since 2004, Indonesia's cash waqf system has provided significant opportunities for the Muslim population, thereby contributing to the country's economic growth.

From an academic perspective, Kahf (1998) validates the legitimacy of cash waqf, noting that it has been practiced since the early establishment of the Maliki and Hanafi schools of thought. Historically, cash waqf has been used for lending and *mudarabah* (profit-sharing) arrangements, with profits allocated for charitable causes to assist the needy. Kahf and Mohamed (2017) further distinguish two key types of cash waqf financing: (1) cash waqf for interest-free loans and (2) cash waqf for investment, where returns are distributed to beneficiaries. Additionally, cash waqf can be used for educational funding, capital for loans, and *Shariah*-compliant investments (Aziz, Johari, & Yusof, 2014).

Kahf and Mohamed (2017) describe cash waqf as an innovative financing tool. They argue that cash waqf can be used to finance SMEs under government supervision. Furthermore, combining cash waqf with microfinance models—such as *musharakah mutanaqisah* (diminishing partnership)—can facilitate business or project financing (Thaker, Mohammed, & Duasa, 2016). Given its characteristics, waqf possesses multiple commercial attributes, particularly in financing SMEs and business expansion, where profits can benefit waqf beneficiaries (Ismail, 2011).

A study by Duasa and Thaker (2016) explored the potential of a cash waqf investment model as an alternative financing option for micro-enterprises in Malaysia. Their empirical findings highlight key challenges hindering micro-enterprise development, including (i) high interest rates, (ii) strict documentation requirements, (iii) stringent collateral demands, (iv) inadequate financing amounts, (v) long loan durations, and (vi) the nature of business operations. To address these issues, they proposed a cash waqf investment model aimed at improving funding access and skill development. Subsequent research by Thaker (2018) involved expert consultations to assess the feasibility of this model. Findings from six in-depth interviews with specialists supported the model's applicability in enhancing financial services.

More recently, Musa and Salleh (2018) examined cash waqf as an alternative funding source for micro, small, and medium enterprises (MSMEs). Their findings emphasize the importance of raising awareness among entrepreneurs about cash waqf's potential, as a high level of awareness and positive attitudes toward cash waqf contribute to business success. In 2020, Yunita (2020) proposed a cash waqf model for Indonesia's sustainable food security. Following the pandemic, the *Cash Waqf Linked Sukuk* (CWLS) model—structured under a Salam contract—was suggested as a long-term food security solution. This model, classified as a green sukuk initiative, would enable farmers to cultivate productive land for food production. Another study by Merlinda et al. (2021) demonstrated the effectiveness of cash waqf financing for micro-businesses in Indonesia, particularly in supporting duck farming in Gunung Kawi District. The study found that the cash waqf model benefits the local community and encourages economic sustainability.

In conclusion, *waqf* has played a significant role in Muslim societies by fostering economic progress. Nik Hassan (2008) highlights that during the Ottoman Empire, the flourishing *waqf* system contributed to the country's economic growth. In the Ottoman Empire, *waqf* institutions were deeply integrated into both social and economic life. They funded and managed essential public services such as education, healthcare, water supply, and urban infrastructure. According to Singer (2002), by the 16th century in Ottoman cities, schools, hospitals, caravanserais and markets was supported through *waqf* endowments. These foundations not only reduced the burden on state finances but also stimulated local economic activity through job creation and stable service provision. Moreover, the *waqf* system ensured intergenerational wealth preservation and redistribution, contributing to long-term economic sustainability and institutional continuity (Kuran, 2001).

Çizakça (1998) further states that *waqf* effectively addresses the under-supply of public goods—an issue commonly observed in conventional economies—by ensuring their adequate provision. As private-sector involvement increases through *waqf*, public goods become more abundant, creating a surplus rather than a scarcity in the Islamic economic framework.

### **3.4 INSTITUTIONS OF *ZAKAT* AND *WAQF* IN COMOROS**

Being a country with a predominantly Muslim population, *zakat* and *waqf* play a significant role in Comorian society. This is due to the country's well-known diversity, which blends culture and religion. Given this, the institutions involved are as follows:

#### **3.4.1 *Zakat* Institutions in Comoros**

As of December 2024, two independent institutions responsible for the management of *zakat* operate in Comoros:

First, In December 2009, the Vice President established a government agency under the Ministry of Finance called the “Fonds Comorien du *Zakat*” (FCZ), which

translates to the Comorian *Zakat* Fund. It was stated that the source of the fund can come from donations and various forms of aid, provided either by individuals, local authorities, or international donors. This commission is constituted by:

- i. A member of the Cabinet of the Minister of Finance
- ii. A representative of the Arab Department (Ministry of Finance)
- iii. A representative of the Ministry of External Relations
- iv. A representative of the Ministry of Islamic Affairs

Their mission is to establish a strategic and action plan for the collection and distribution of *zakat* to beneficiaries; collect *zakat* within the national territory; develop bilateral relations with *zakat* institutions in the Arab-Muslim world; and train officials for the collection and management of *zakat* on the island. The funds collected must be deposited into the TR0046 “Fonds Comorien de *Zakat*” account, which is held at the central bank.

In January 2012, the Ministry of Finance officially launched the activities of the commission. In brief, the commission is under the Ministry of Finance, and its role is to raise awareness among the public about *zakat*, its collection, and distribution. Furthermore, they oversee all activities related to the *zakat* fund.

Secondly, there is another independent organization called *Dar Al-Zakat*, established in 2011. Initially focused on collecting and distributing *zakat* on the largest island, in 2021, the Mufti of the country authorized them to operate across all three islands. They collect *zakat* and distribute it through various events, targeting the needy based on priority.

### **3.4.2 *Waqf* Institutions in Comoros**

In Comoros, the institutions responsible for the collection and management of *waqf* are the Ministry of Islamic Affairs and the Kadis of the country. As a Muslim nation, there is an abundance of *waqf*, both land and cash *waqf*. The court recognizes *Shariah* as the governing law for *waqf* property for Muslims.

If anyone disposes of land or cash *waqf*, they approach the Kadi or those in charge in the Islamic Affairs Ministry with the aim of writing and administering the *waqf* more systematically and effectively. The Kadi has the authority to manage *waqf* properties and acts as a planning coordinator. They can also identify underutilized *waqf* assets and develop plans for their use, in coordination with the donor's conditions.

*Waqf* properties are often developed for communal purposes, such as building mosques, religious schools, and social welfare projects. Several land *waqf* properties have been registered with the Kadi in the country's largest city.

In some cases, *waqf* is kept within the family and managed by successive generations. However, the family may appoint someone more knowledgeable about *waqf* to manage it. Additionally, the Ministry of Islamic Affairs has the authority to record and manage both land and cash *waqf* when they come under its purview.

### **3.5 POTENTIAL OF ZAKAT AND WAQF IN FINANCING FEMALE ENTREPRENEURS IN COMOROS**

To start with, the management of *zakat* and *waqf* is one of the key factors that influence their significance. First, the purpose of *zakat* institutions or the *zakat* committee is to oversee the management, collection, and distribution of *zakat* funds. Abd. Wahab and Abdul Rahman (2013) confirm that the Quran outlines the appointment of representatives to receive and distribute *zakat*. These representatives should function as a state department or public fund run by a public entity. In other words, in accordance with Islamic requirements, the government should oversee the proper collection and distribution of *zakat*. According to the Imams, *zakat* should be paid to the authority (Buang, 2000).

In the case of Comoros, a similar approach has been implemented for *zakat* and *waqf* payments. *Zakat* payments are made to the *zakat* committee via a bank account at the central bank of Comoros. Moreover, since donations are anonymous, there is no explicit connection between contributors and managers. Additionally, the members of the *zakat* committee are experts in *Shariah* and finance, ensuring the management of

*zakat* is credible and efficient. Furthermore, Dar al-*Zakat* Comoros has been authorized by the Mufti of the country to collect, distribute, and raise awareness about *zakat*.

According to Islamic law, donated property must be managed by the appropriate parties who can oversee its benefits. This ensures that the benefits are distributed to the correct recipients (Badran, 1986). Al-Mutawalli is the term used in Islam to describe a person appointed as a trustee to oversee *waqf* property (Al-Baghdadi, 1999). Scholars state that the donor of a *waqf* has broad authority to designate anyone to oversee and manage the *waqf* property. *Waqf* donors may designate themselves as trustees, transfer the trust to those who will receive it, or appoint someone else. If the *waqf* donor does not appoint a trustee, the judge of the *Shariah* court (a Muslim court) will select an appropriate party, according to Islamic scholars from the Maliki and Syafi'i schools (Mat Rani & Abdul Aziz, 2010). According to the Hanbali school, each *waqf* recipient becomes the trustee of the land donated to them if the donor has specifically determined the recipients. However, in the Hanafi school, the *waqf* donor remains responsible for any matters concerning the donated property, even if conditions are imposed (Mat Rani & Abdul Aziz, 2010).

In Comoros, the management of *waqf* property or cash *waqf* falls under the governance of the Ministry of Islamic Affairs. Additionally, the Kadi of each region is the sole trustee of any *waqf* presented to them. Therefore, some registered *waqf* lands or cash *waqf* are under the authority of the Kadis as sole trustees.

Although the Ministry of Islamic Affairs is the sole trustee for managing *waqf* property, the Kadi may facilitate the administration of *waqf* donations in various regions. This decentralizes the process and improves the efficiency of *waqf* administration, monitoring, and coordination. Kadis do not replace the Ministry of Islamic Affairs in terms of their roles and responsibilities.

On a separate note, according to Harun, Shahid, Othman, Rahman, and Gumbri (2021), major life events—both historical and social—significantly impact how people act and live. Raising awareness is crucial, as it helps the public and younger generations understand and appreciate the importance of Islamic social finance instruments.

When discussing *zakat* awareness, it refers to understanding the process of wealth purification. It is the ability to perceive, recognize, or be mindful of events, objects, or sensory patterns. Awareness is defined as the state of being cognizant of something. Age, gender, and financial status can sometimes influence one's level of awareness. While people may be aware of Islamic products, studies on Islamic auto finance clients in Borneo show that they may be reluctant to select Islamic options (Amin, 2007). People familiar with Islamic banking products may be unwilling to use halal goods without fully understanding their benefits (Rammal & Zurbruegg, 2007).

Being an Islamic country, the importance of *zakat*, *sadaqah*, and *waqf* is widely taught in Comoros. The *zakat* committee has employed various strategies to motivate and encourage the Muslim population to pay *zakat*, ranging from promotional campaigns to efforts aimed at expanding the community of *zakat* payers. For example, Dar al-*Zakat* Comoros holds an annual campaign to distribute *zakat* while simultaneously raising awareness about *zakat* and *sadaqah*. Additionally, forums, seminars, and workshops are regularly organized to educate the public about *zakat* payments. This demonstrates that both the government and *zakat* institutions take *zakat* payment seriously, as evidenced by the growing number of people paying *zakat* in recent years.

According to Othman (1983), Abraham established *waqf* awareness in 1860 B.C. His charitable endowments were dedicated to public piety in Mecca and the cave of Machpelah, where Prophet Abraham and his family were buried (family *waqf*). Similarly, *waqf* awareness in Comoros dates back to the 19th century when Islam first spread to the country. The most common form of *waqf* is land *waqf*, where donors specifically identify their land for mosques and Islamic schools. Recently, cash *waqf* has also been gaining prominence.

Legal perspectives are considered key factors in influencing the potential of Islamic social finance instruments in Comoros and how efficiently they can be used to finance entrepreneurs. Faruqi (2017) defines a legal system as the comprehensive legal framework of a country, which provides institutions, principles, rules, and methods for

regulating the relationship between law and society. It describes the connection between law, authority, and morality.

When it comes to giving *sadaqah* or establishing a charity organization in the country, the principles, rules, and regulations are straightforward. For example, under the law governing private institutions, foreign private charity organizations are welcome in the country, provided they register with the Ministry of the Interior. Furthermore, *zakat* and *waqf* are regulated according to *Shariah* principles.

Finally, the significant contribution of *zakat* and *waqf* in Comoros demonstrates their potential as alternative financing sources. **During the structured interview with the kadi he stated that:** “Being an Islamic country, over 70% of the population actively pays *zakat*, and nearly 10% of land in the capital is endowed as *waqf* property” (Kadi). This shows the potential of these instruments to mobilize funds and allocate them strategically to finance female entrepreneurs, especially in the informal sector. The combined role of *zakat* and the sustainable development aspect of *waqf* creates an effective mechanism for supporting female entrepreneurs and contributing to their empowerment.

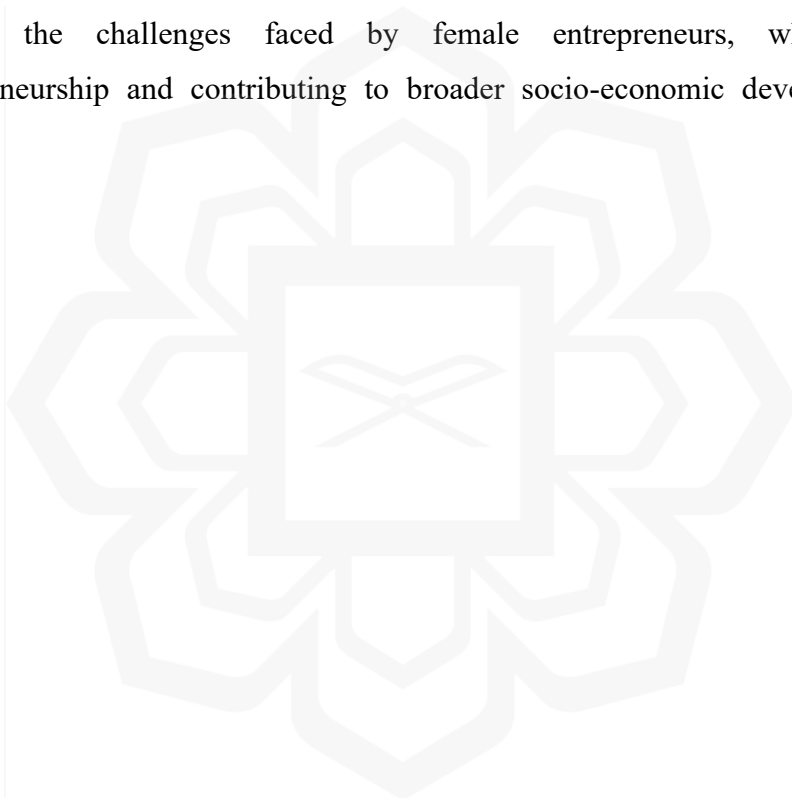
### 3.6 CHAPTER SUMMARY

This chapter explores the potential of *zakat* and *waqf* as Islamic social finance instruments to finance female entrepreneurs in Comoros. It outlines their definitions, legal, religious, and economic foundations, referencing the *Quran*, *Sunnah*, and scholarly interpretations.

The chapter highlights previous literature recognizing *zakat* as a tool to boost the economy, reduce unemployment, and finance small enterprises. Researchers have also identified *zakat*'s potential in reducing income inequality and supporting entrepreneurial activities. Similarly, *waqf* offers sustainable financial support for female entrepreneurs, enabling access to finance without interest rates.

In Comoros, *zakat* and *waqf* institutions play a significant role in the collection, distribution, and awareness of both instruments. Comorians pay *zakat* through the Fonds Comorien du *Zakat* (FCZ) at the central bank or manually at Dar al-*Zakat*. The Ministry of Islamic Affairs and regional *Kadis* manage *waqf* properties and cash *waqf*.

The potential of *zakat* and *waqf* to finance female entrepreneurs in Comoros is evident in the 70% of Comorians who actively pay *zakat* and the significant contribution of *waqf* properties. Furthermore, effective management, awareness, and legal support in the country can mobilize *zakat* and *waqf* funds to finance female entrepreneurs. When properly managed, these instruments provide ethical, interest-free financing that can address the challenges faced by female entrepreneurs, while promoting entrepreneurship and contributing to broader socio-economic development in the country.



# CHAPTER FOUR

## RESEARCH METHODOLOGY

### 4.1 INTRODUCTION

The method used to find an answer to the research problem systematically, or the science of studying how research is scientifically done, is referred to as research methodology (Kothari, 2009). Therefore, this chapter discusses the methodology used to achieve this research's four objectives. This research addresses four research questions that are answered through a qualitative study. As such, this chapter is divided into six key sections: first, the research approach, followed by the research design, data collection, ethical considerations, data analysis method, and finally, the chapter summary.

### 4.2 RESEARCH APPROACH

The main purpose of this research is suited to a qualitative method because qualitative research aims to explore and provide deeper insights into real-world problems (Moser & Korstjens, 2017). At its core, qualitative research asks open-ended questions whose answers cannot easily be put into numbers, such as "how" and "why" (Cleland, 2017). The primary goal of this research is to thoroughly explore the challenges faced by female entrepreneurs and how *zakat* and *waqf* in Comoros can help alleviate these challenges—an area where qualitative data will be more comprehensive, reliable, and accurate.

Qualitative research closely examines participants' experiences, behaviors, and beliefs, providing detailed information and data that are not captured by quantitative methods (Johnson, 2024). It is a flexible method that allows researchers to adapt to the context and participants (Lee, 2024). Unlike the quantitative approach, which focuses on numerical data, qualitative research emphasizes capturing the richness, depth, and complexity of human experiences and social phenomena (Creswell & Poth, 2018). This

method is particularly relevant for this research, which aims to explore the experiences, challenges, and insights of female entrepreneurs, as well as *zakat* and *waqf* experts in Comoros.

Furthermore, one of the strengths of qualitative research is its ability to explain processes and patterns of human behavior that can be difficult to quantify (Foley & Timonen, 2015). Structured interviews use standardized questions to ensure interviewees respond to the same prompts, enhancing the reliability of the data collected (Niranjan & Gupta, 2022). The relevance of focus groups lies in facilitating face-to-face discussions, which is important for making the perspectives of participants clearer (Parker & Tritter, 2021). It also encourages participants to build on each other's thoughts, which may not happen in interviews with individual participants. Andalib (2024) stated that semi-structured interviews enable researchers to ask specific questions that arise during discussions, providing a deeper understanding of participants' views. These three methods together ensure a significant exploration of the research questions.

### **4.3 RESEARCH DESIGN**

DeVaus (2001) defined research design as a method that assists researchers in answering research questions or objectives with confidence and conviction. Therefore, the research design must provide relevant information on the research objective while assisting the researcher in completing the task efficiently (Hair, 2010).

The first objective of this research is to analyze the challenges faced by female entrepreneurs in the conventional system in Comoros. To achieve this, structured interviews were conducted with 32 female entrepreneurs. Structured interviews are well-suited for research where the objective is to gather uniform data across participants while minimizing interviewer bias (Bryman, 2016). They ensure that the data collected is reliable and authentic. Furthermore, structured interviews are particularly reliable when dealing with larger sample sizes, as they enable efficient data collection without compromising depth. This approach also allowed the researcher to obtain specific information related to the entrepreneurs' challenges. During structured interviews, the

interviewer asks the same questions to all interviewees, maintaining consistency and reducing interviewer bias. The use of uniform rating scales for evaluating responses also enhances the reliability of the interview process (Wilson, 2014).

The second and third objectives are to examine the level of application of *zakat* and *waqf* in Comoros, and to explore *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros. To achieve these objectives, three focus groups with *zakat* and *waqf* experts, in addition to a semi-structured interview with the Kadi of the largest city in Comoros, were conducted.

Focus groups are a qualitative data collection method involving multiple participants, which makes it easy to share and discuss a range of perspectives and experiences (Ho, 2024). It involves facilitated discussions among a small group of participants, allowing for the exploration of shared experiences and opinions. The value of focus groups lies in the collective meanings and group dynamics, making them suitable for exploring topics such as Islamic social finance (Kitzinger, 1994). In this research, the focus groups provided a platform for experts to discuss the level of application of *zakat* and *waqf* in Comoros, as well as their implementation and impact as financing tools for female entrepreneurs. This facilitated discussions among experts, resulting in rich, multi-faceted data.

The semi-structured interview with the Kadi, categorized as part of the expert group, is justified by the need for adaptability and the exploration of his unique experience. Semi-structured interviews are qualitative methods that facilitate deep discussions while maintaining a focus on specific themes (Andalib, 2024). They combine the structure of predefined questions with the flexibility to further discuss topics based on the participant's responses. This method is relevant when interviewees are experts with specialized knowledge or authority, and it is well-suited for exploring sensitive topics, as it strikes a balance between researcher control and participant freedom (Edwards & Holland, 2013).

To achieve the final objective of this research, which is to propose a model for financing female entrepreneurs in Comoros using *zakat* and *waqf*, a combination of all the methodologies mentioned, along with the results obtained from the interviews and focus groups, was utilized.

Table 4.1 Research Design Summary

No	Research Objectives	Method	Instruments	Interviewees
1	To Analyse the challenges faced by female entrepreneurs in the conventional system in Comoros	Qualitative	Structured Interviews	<ul style="list-style-type: none"> <li>Female Entrepreneurs</li> </ul>
2	To investigate the level of <i>zakat</i> and <i>waqf</i> implementation in Comoros	Qualitative	Focus groups and Semi-structured Interview	<ul style="list-style-type: none"> <li>Members from the Ministry of Finance</li> <li>Members from the of Islamic Affairs division</li> <li>Members from Dar-al-<i>Zakat</i> including the director.</li> <li><i>Kadi</i> of the biggest region</li> </ul>
3	To explore the potential of <i>zakat</i> and <i>waqf</i> as a tool for financing female entrepreneurs in Comoros.	Qualitative	Focus groups and Semi-structured Interview	<ul style="list-style-type: none"> <li>Members from the Ministry of Finance</li> <li>Members from the of Islamic Affairs division</li> <li>Members from Dar-al-<i>Zakat</i> including the director.</li> <li><i>Kadi</i> of the biggest region</li> </ul>
4	To propose a model to finance female entrepreneurs in Comoros using <i>zakat</i> and <i>waqf</i> .	Qualitative	Structured interviews, semi-structured Interviews and Focus Group	<ul style="list-style-type: none"> <li>Female Entrepreneurs and Experts of <i>zakat</i> and <i>waqf</i></li> </ul>

Author Illustration

## 4.4 DATA COLLECTIONS

Data collection is the process of gathering and analysing information from various sources to achieve a comprehensive understanding of a research problem (Creswell & Creswell, 2018). This research incorporates both primary and secondary data. Primary data was obtained through interviews and focus group discussions conducted, while secondary data comprises information drawn from existing sources such as academic articles, reports, and databases (Creswell & Creswell, 2018).

### 4.4.1 Experts' Validation of the Instruments

To ensure the validity and reliability of the data collection instruments used in this research, a thorough process was followed prior to conducting the interviews and focus groups. This process aimed to validate that the questions developed for the interviews and focus groups were aligned with the research objectives.

First, the draft questions for the structured interviews and focus groups were carefully drafted, with a focus on their clarity, relevance to the research objectives, and comprehensiveness for participants (see Appendix A). The initial version of the questions was submitted for review and validation by the four academic experts listed in Table 4.2, who provided constructive feedback and confirmed their relevance for the research.

Table 4.2 Instruments Validators Profile

S/N	Profile	Area of specialization
1	Associate Professor	Social Science: Law ~ Jurisprudence - Maqasid <i>Shariah</i> , Islamic Commercial Law, Islamic Banking and Finance, Transactions in Islamic Banking and Finance, Islamic Social Finance, Contemporary issues in <i>Zakat</i> , <i>waqf</i> and <i>Sadaqah</i> .
2	Associate Professor	Islamic Jurisprudence, Fiqh & Usul Fiqh: Maqasid <i>Shariah</i> , Islamic Banking & Capital market.
3	Associate Professor	Economics, Business and Management: Islamic Finance ~ Islamic Banking - Islamic banking and Finance
4	Professor	Economics, Business and Management: Islamic Finance ~ Islamic Banking - Accounting & Risk

The experts' validators comments were presented in Table 4.3 with the relevant adjustment that were made, this is to ensure their recommendations would strengthen the validity of the instruments. Therefore, they provided detailed suggestions, including additional questions and refinements to the wording of specific questions.

Table 4.3 The Expert Validators' Comments and Responses

Comments	Responses
<b>Validator 1:</b>	
The justifications for using structure and semi-structure interviews are not enough, please elaborate.	The justifications were later developed and elaborated in chapter four.
You can include this in your interview. or once you developed the model ask them whether your proposed model is acceptable	The draft of the proposed model was shown to experts during the focus groups for their opinions.
<b>Validator 2:</b>	
What do you think are the significant contributions of <i>Zakat / Waqf</i> to the socio-economic development of Comoros? Are there <i>Zakat/Waqf</i> Initiative empowerment for female entrepreneurs in Comoros?	Improved questions are as follow:  Is there any significant contribution of <i>waqf</i> in the country?  Is there any significant contribution of <i>Zakat</i> in the country?
What are the challenges of <i>Zakat/Waqf</i> Institutions in Comoros in achieving socio-economic empowerment for female?	This was answered by including the question in the focus groups and semi-structured interview questionnaires with the kadi as follow:  What are the challenges that you encounter in the management of Awqaf? what are the challenges that encounter in this work? What are the challenges that you encounter in the management of Awqaf?
Is there <i>Zakat</i> or <i>Waqf</i> governance framework of Islamic social finance in Comoros?	The questions were added as follow:

Comments	Responses
	<p>Is there any law or document that enforces the existing and paying of <i>zakat</i> in the country.</p> <p>Is there any law or text that is first stating that the government is recognizing the existence of <i>Waqf</i>? Like is there any law regarding <i>Waqf</i> in the country or not?</p>
<p>What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?</p>	<p>The same question was added in the structured interviews questionnaires as follow:</p> <p>What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?</p>
<p>Can you describe your experiences as a female entrepreneur and the specific challenges you've encountered in Comoros?</p> <p>Have you faced gender-related obstacles in areas like funding, networking, or mentorship, and how have you addressed them?</p>	<p>This was answered by including the following question:</p> <p>As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?</p>
<b>Validator 3:</b>	
<p>Also, you need to ask questions whether they are aware of Islamic Social Finance Products or not.</p>	<p>Questions were included as follow:</p> <p>Are you aware of Islamic social finance products?</p>
<p>The question needs further elaboration on whether all IF products or how.</p> <p>- also, the most of interview question is about <i>ZAKAT</i> and only few questions about <i>Waqf</i> and Sadaqat and other products.</p>	<p>Questions were improved and elaborated. Further, questions about <i>zakat</i> and <i>waqf</i> were asks during the focus groups according to the area of specialization and expertise of experts.</p>

<b>Comments</b>	<b>Responses</b>
You may ask some questions about the awareness and knowledge issues.	Questions were included as follow:  Are you aware of Islamic social finance products?
How about other IF products?	The research focuses only on <i>zakat</i> and <i>waqf</i> .
Those are not having a shari'ah background how are they going to answer this question? Because some of the interviewees do seem not from Shari'ah background as you stated above.	All the experts of <i>zakat</i> and <i>waqf</i> interviewed have <i>Shariah</i> background.
<b>Validator 4:</b>	
Can start by asking to Introduce themselves.	This has been included in the interview questions as follow:  Can you please introduce yourself?
Do they know the Islamic social finance instruments?	A question was included in the structured interviews regarding the awareness of ISFIs as follow:  Are you aware of Islamic social finance products?
Suggest showing the model in diagram.	The draft of the model was shown to experts during the focus groups and the semi-structured interview with the kadi.

Including these recommendations, a final version of the interview and focus group questions was developed. Thus, the final comprehensive version represents a synthesis of the feedback obtained from all reviewers, and the validated instruments were then used in the structured interviews with female entrepreneurs, focus groups with experts of *zakat* and *waqf* in Comoros, and the semi-structured interview with the Kadi, categorized under the expert group (see Appendix B).

#### 4.4.2 Selection of Respondents

The structured interviews were conducted with thirty-two female entrepreneurs who own businesses in the agriculture sector within the informal economy in Comoros. The agriculture sector in Comoros includes agriculture, fishing, and forestry; therefore, only female entrepreneurs within these sectors were interviewed. The participants varied in terms of educational background, stage of business, and number of employees, aiming to provide a diversified understanding of their perspectives. These participants were chosen to represent a wide range of experiences, ensuring a comprehensive understanding of female entrepreneurs within this specific socio-cultural and economic context.

Participants were selected by identifying and approaching them through informal networks, personal connections, and referrals. The selection criteria included:

- Active engagement in the agriculture sector for at least five years.
- Ownership or co-ownership of the business.
- Willingness to participate and share experiences.
- Representing different geographical locations within the Comoros.

Subsequently, three focus groups were conducted, each comprising two participants. This number was chosen to balance diversity of opinion while maintaining effective group dynamics for discussion. The participants were experts in *zakat* and *waqf* in Comoros, ensuring a deep understanding of the topics. The first focus group involved the researcher and two members of the Arab department in the Ministry of Finance (*zakat* institution). The second focus group involved the researcher and two members of the Islamic Affairs Department (*waqf* institution). The final focus group involved the researcher and two members of Dar al-Zakat, including the director (*zakat* institution).

The semi-structured interview was conducted between the researcher and the Kadi, a religious authority with deep knowledge of Islamic legal principles, specifically *waqf* in Comoros and its application. His knowledge and experience were valuable for

understanding the existing *waqf* system, its implementation, and its contribution to female entrepreneurs.

#### 4.4.3 Sampling Size and Technique

This research adopts purposive sampling for the selection of participants based on their relevance to the research objectives. It is designed to target specific individuals or groups that have traits or experiences relevant to the research question (Andrade, 2021). This approach is suitable for qualitative research, where the aim is a comprehensive understanding of complex issues rather than generalizing findings to a larger population (Lingott, 2022).

While purposive sampling allows for the selection of participants with relevant experiences, the sample size is further guided by the concept of data saturation. For the structured interviews, the sample size of thirty-two female entrepreneurs was deemed sufficient to achieve saturation, where no new themes or insights emerge from additional interviews. The three focus groups, each comprising two participants, are illustrated in Table 4.2. This size allowed for in-depth discussions while ensuring all voices could be heard. Saturation was assessed during the analysis phase by examining recurring themes across the groups. The interview with the Kadi was singular, given his unique position and expertise. The richness of the data obtained from this interview was sufficient to address the research questions related to his domain.

Table 4.4 Sample Size

S/N	Interviewees	Sample Size
1	Female Entrepreneurs	32
2	Members from the Ministry of Finance	2
3	Members from the of Islamic Affairs division	2
4	Members from Dar-al-Zakat including the director	2
5	<i>Kadi</i> of the biggest region	1
	Total Interviewees	39

The purposive sampling approach ensured that all participants with relevant expertise and experience were included to achieve the objectives of this research. The selected sample sizes, as indicated in Table 4.2, were sufficient to achieve thematic saturation in each method. This also supports the reliability and validity of the findings.

#### **4.4.4 Steps for Conducting the Interviews and Focus Groups**

The structured interviews were conducted face-to-face, with each session lasting approximately 20–30 minutes. The process included the following steps: pre-interview preparation: After obtaining consent from the interviewee, the research objectives and the purpose of the interview were explained. Standardized questioning: Each participant was asked the same predetermined questions in the same order. Recording responses: The interviews were recorded using phone audio recording. Post-interview and debriefing: Participants were allowed to provide additional comments and address any queries they had about the research. After the interview, the recorded audio was transcribed into English.

On the other hand, focus groups involved several steps, including identifying and selecting participants: Participants were identified through professional networks and organizations involved in *zakat* and *waqf*. Invitations were extended through informal channels, with follow-up calls made. During the focus group discussions, facilitating the discussions: Each focus group was facilitated by the researcher as the moderator, guiding the discussion, ensuring all participants had the chance to contribute, and maintaining focus on the research objectives. Sessions lasted approximately 30 to 60 minutes. Lastly, recording and transcribing data: Phone audio recordings were made with participant consent, and the transcripts were transcribed into English prior to data analysis.

#### **4.5 ETHICAL CONSIDERATIONS**

The ethical integrity of this research is essential to protect the rights of participants and maintain their trust. First, informed consent, which is the foundation of ethical research, was carefully considered for the distinct participants involved in this research: female

entrepreneurs, experts in Islamic social finance, and the Kadi. It is crucial that participants understand the nature of the research, including its risks and benefits (Festinger *et al.*, 2023). Consent must be given freely, without coercion or undue influence (Festinger *et al.*, 2023), which is why the process was designed to be respectful, culturally appropriate, and aligned with the contexts of the participants.

For the female entrepreneurs, before scheduling the interviews, an informal meeting was arranged with each participant. During this meeting, they were given a brief explanation of the research objectives and an invitation to participate in the interview. This created an opportunity for questions and clarifications. Only after they expressed their willingness to participate was an interview date scheduled. On the day of the interview, the researcher reiterated key details of the research and verbally reconfirmed consent to ensure that participants remained comfortable and fully informed.

For the focus groups with experts in *zakat* and *waqf*, and the semi-structured interview with the Kadi, the process involved a more formal approach due to the professional and sensitive nature of the topics discussed. Before any formal meeting was held, participants were approached informally to schedule a potential meeting. After agreeing to participate, a formal meeting was arranged and convened with each participant or group of participants ahead of the focus group or semi-structured interview. During this meeting, the research objectives, the role of each participant in contributing to the research, and the intended outcomes of the focus group discussions or semi-structured interview were explained. This was an opportunity for all the experts to raise questions and express any concerns regarding their participation. Consent to participate was fully expressed. Following their agreement, a mutually convenient date for the focus group or semi-structured interview was scheduled. Participants were reminded of their rights and ability to withdraw from the research, and the explanation, consent, and reconfirmation ensured that participants were aware of their involvement, thereby maintaining a high standard of ethical research practice.

Additionally, confidentiality and anonymity were essential in this research, given the nature of the participants. All participants were assigned codes to protect their identities, and their personal information will not appear in any reports, publications, or

presentations arising from this research. When asked whether they wished to remain anonymous, all entrepreneurs preferred to stay anonymous; therefore, confidentiality was ensured.

However, due to the nature of the professions of the focus group participants, the Kadi, and the focus group itself, confidentiality could not be fully guaranteed. Therefore, although participants were coded, they were reminded that they could potentially be identified.

#### **4.6 DATA ANALYSIS METHOD**

Before starting the data analysis for this research, two qualitative data analysis software programs, NVivo and ATLAS.ti, were considered. After evaluating their functionalities and considering the nature of the data, ATLAS.ti was selected for its major coding features and advanced tools for managing and visualizing qualitative data. It is a comprehensive qualitative research tool developed to facilitate the organization, coding, and interpretation of complex textual and multimedia data (Castleberry & Nolen, 2018). Therefore, the data analysis process involves several key steps, starting with data preparation, which involves importing all necessary documents, particularly interview transcripts, into ATLAS.ti. This was followed by coding the data, which began by reading the transcripts line by line to identify ideas, concepts, and themes, and attempting to make connections between them (Castleberry & Nolen, 2018). A selection of text was then assigned codes and highlighted to illustrate concepts, patterns, meanings, or ideas. This process was facilitated by ATLAS.ti's coding features and ensured consistency and reliability in the analysis (Friese, 2012).

The next step in the data analysis was reassembling or categorizing the data. After the codes were assigned, a link between the codes was created, following the research objectives, by grouping similar codes together to form categories. Respondents' words and ideas were given equal importance in this step, and ATLAS.ti helped visualize the reassembling of codes, which ultimately led to the creation of new themes for this research.

This was followed by theme development, in which categories were synthesized into broader themes that represent the core ideas, summarizing the essence of the data and serving as the foundation for theoretical understanding. After that, the interpretation of the data took place, in which the researcher was required to be fair and accurate while completing the analysis, adding value and credibility. ATLAS.ti's features helped ensure transparency in the research process (Smit, 2002). Additionally, the researcher's analytical thinking skills were crucial in interpreting the data while following its self-evident results and ensuring that the interpretations were aligned with the research objectives. This process required constant rechecking and recategorizing of codes to accurately answer the research questions and achieve the research objectives. The final step was concluding the data analysis, where the researcher gathered thoughts and results from the analysis to demonstrate the importance of the data and how the themes created through the analysis process helped arrive at the concluding narrative of the research (Braun & Clarke, 2012). The diagram below, illustrated by Saldana (2016), summarizes the process of qualitative data analysis.

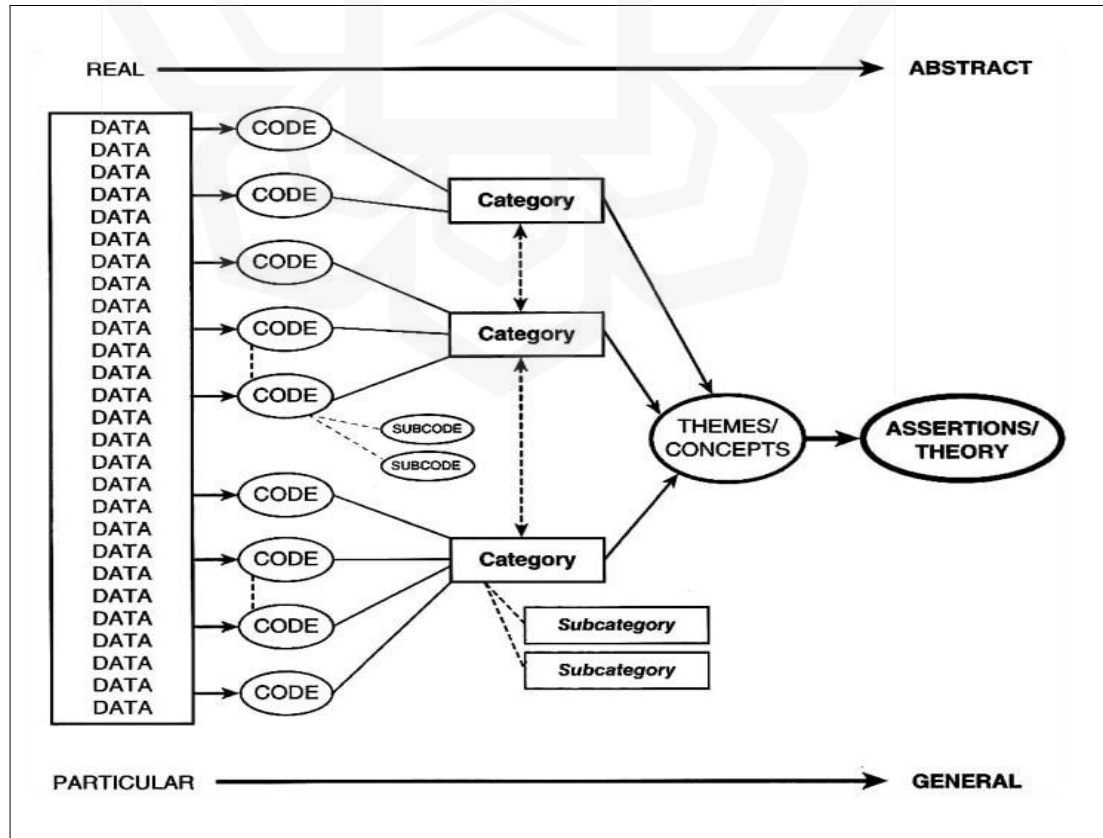


Figure 4.1 Stages of Data Analysis Codes and Categories (Saldana, 2016)

## 4.7 CHAPTER SUMMARY

This chapter discusses the research methodology used to address the research objectives and questions. This qualitative research aims to explore the challenges faced by female entrepreneurs in Comoros and the potential of *zakat* and *waqf* in alleviating these challenges. The methodology includes structured interviews with thirty-two female entrepreneurs, three focus groups with experts on *zakat* and *waqf*, and a semi-structured interview with the Kadi of the largest city in the country.

This approach was chosen for its potential to deeply explore human experiences that are not easily quantifiable. Structured interviews provide reliable and precise data on the challenges faced by female entrepreneurs. Focus groups facilitated discussions among experts, offering different perspectives on the application and potential of *zakat* and *waqf* in Comoros. The semi-structured interview with the Kadi provides an understanding of the *waqf* institutions in Comoros, drawing from his expertise and authoritative perspective.

The research design used supports the research objectives by ensuring the selection of suitable participants through purposive sampling, targeting individuals with relevant experience and knowledge. The data collection was conducted with ethical considerations, such as informed consent, confidentiality, and anonymity, at the forefront. Interviews and focus groups were recorded, transcribed, and analyzed using ATLAS.ti, which was chosen for its features in managing qualitative data. The analysis process involved data preparation, coding, reassembling or categorizing, theme development, and interpreting data to ensure alignment with the research objectives.

## **CHAPTER FIVE**

### **DATA ANALYSIS**

#### **5.1 INTRODUCTION**

This chapter analyzes the data obtained from the interviews and focus groups involving female entrepreneurs and experts in Islamic social finance. The data provide a deeper understanding of the core research objectives and offer perspectives from the interviewees. Therefore, this chapter is divided into three sections: the profile of the interviewees, data analysis (which includes the discussion of the three major themes categorized based on the first three objectives of the research, along with additional themes), and lastly, the chapter summary.

#### **5.2 THE PROFILE OF THE INTERVIEWEES**

The findings from the structured interviews represent the views and experiences of 32 female entrepreneurs. The selection criteria for these interviewees are based on two factors: the sector of entrepreneurship and years of experience. As stated in Chapter 1, this research focuses exclusively on female entrepreneurs in the informal sector, specifically in the agriculture sector, which includes agriculture, fishing, and forestry. Their years of experience range between 3 and 10 years, and they are tagged as FE (FE1-FE32).

On the other hand, the findings from the focus groups represent the views and opinions of seven experts from four different institutions: the Ministry of Finance (MF), Islamic Affairs Division (IA), Dar al-*Zakat* (DZ), and the Ministry of Justice (KD). The selection of these institutions is due to their role in administering *zakat* and *waqf* operations in Comoros. These institutions are key to the management and overall oversight of Islamic social finance in the country. The selection criteria for these experts were based on their positions within the government, particularly in the Islamic social finance sector, and their work experience in this field. Their years of experience range between 6 and 15 years in the Islamic social finance sector, ensuring that participants

have extensive and relevant experience, which contributes to the variety and depth of insights required. Table 5.1 below presents the profile of the tagged interviewees and their corresponding organizations.

Table 5.1 The Profile of the Interviewees

S/N	Categories of Respondents	Numbers	Tags
1	Female entrepreneurs	32	FE
2	Members from the Ministry of Finance	2	MF
3	Members from the of Islamic Affairs division	2	IA
4	Members from Dar-al-Zakat including the director	2	DZ
5	<i>Kadi</i> of the biggest city	1	KD
Total Interviewees		39	

Source: Author Illustration

For the structured interviews with entrepreneurs, 32 interview sessions were conducted in the Comorian language at their respective homes. Each interview lasted between 20 minutes and half an hour. Prior to each interview, the background, objectives of the study, and the interview questions were explained to the participants to ensure they were familiar with and prepared for the discussion. Additionally, with the permission of each interviewee, voice recording was used to collect the data.

For the experts, three focus groups and a semi-structured interview with the Kadi were conducted at their respective offices. Each session lasted between 45 minutes and one hour. In preparation for the focus groups and the semi-structured interview, the background and objectives of the research were explained to ensure the participants were familiar with and prepared for the discussions. With the permission of each participant, voice recording was used to collect the data.

### 5.3 DATA ANALYSIS

The data from the interviews and focus groups have been inductively coded, categorized, and finally arranged into three major themes based on the research objectives, with the assistance of ATLAS.ti. These identified themes are shown in Table 5.2 below, and the following section provides an in-depth discussion of each theme.

Table 5.2 Major Themes According to Research Objectives

NO.	MAJOR THEME
1	Challenges faced by female entrepreneurs in Comoros
2	Level of application of <i>zakat</i> and <i>waqf</i> in Comoros
3	<i>Zakat</i> and <i>waqf</i> as financing tools for female entrepreneurs in Comoros

Source: Author Illustration

#### 5.3.1 Theme 1: Challenges Faced by Female Entrepreneurs in Comoros

The challenges faced by female entrepreneurs in Comoros represent broader constraints that limit the potential of their businesses. Despite their role in driving economic growth, female entrepreneurs face challenges such as collateral requirements, loan conditions, being a small business, access to loans, sources of loans, bank loan access, interest rates, and short repayment periods. This section further discusses the different types of challenges based on the responses from the interviewees.

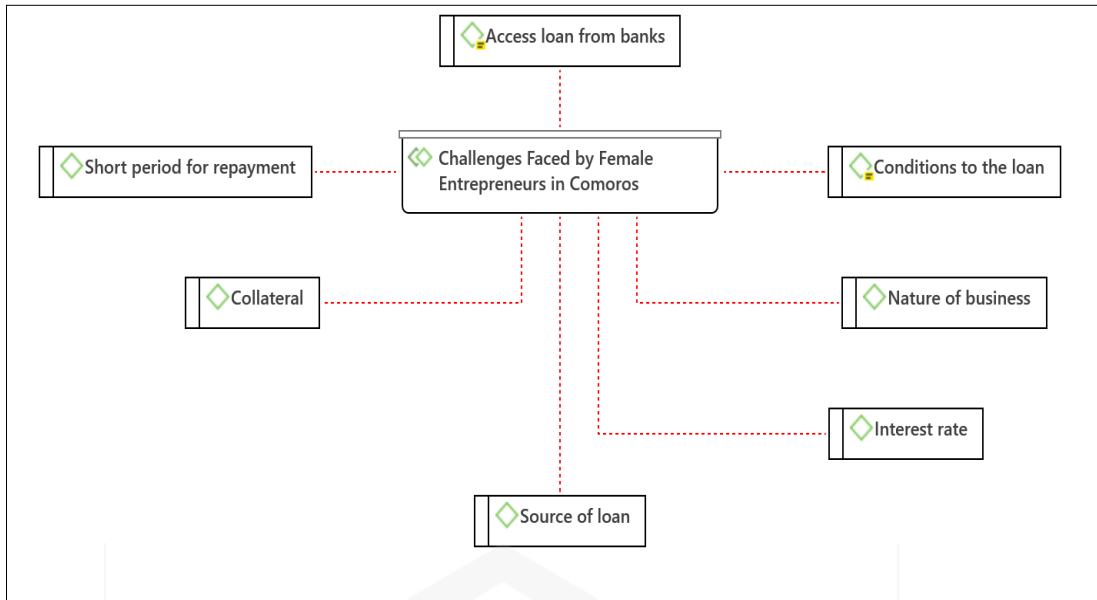


Figure 5.1 Theme 1: Challenges Faced by Female Entrepreneurs in Comoros

### 5.3.1.1 Collateral

One of the challenges faced by female entrepreneurs within the conventional system in Comoros is the requirement for collateral. This challenge emerged during the structured interviews with 10 of the 32 interviewees, who emphasized the different types of challenges they faced while applying for loans from banks.

Collateral is a tangible asset that commercial banks request from their customers when applying for loans, in order to ensure that the loans will be repaid. However, for female entrepreneurs, this requirement presents a constraint, and they expressed frustration with the expectations of banks regarding collateral. They believe that banks impose excessive requirements, such as collateral, on small business owners, which makes it challenging for them to access loans. They described collateral as a "very popular" and unavoidable condition, and therefore, it discourages them from considering banks as a source of loans, as it creates an impression of inaccessibility. They also believe that, regardless of the customer's status, collateral presents a challenge for small business owners, as highlighted by their quotes:

“As someone owning a small business, they will ask for collateral for instance...” FE8.

“From what I know, the banks in this country have many requirements when you want to apply for loans. For instance, collateral, yes, it is very popular” FE12.

“I think the main reason why people avoid banks, is their requirements: collaterals...” FE19.

“Regardless of the job or the tittle, banks ask clients too much especially the collateral” FE21.

In addition to that, many of them expressed frustration at the expectations of banks regarding collateral and they stated that:

“The challenges? It surely every condition that they give such as: collateral and they always ask for land. I definitely cannot take the only land that I have, and it is also my source of income to give for collateral...” FE1.

“Can you believe that they ask for collateral it’s like land and gold. How can I take the only land that I have, to give it for collateral...?” FE4

“...yes of course. Banks always ask for collateral, and those collateral it’s the land that we cultivate we get income and to provide for our families. Just for that I do not think I will even bother to approach banks...” FE13.

“I do not think you will find someone doing these small businesses who will tell you that it is easy to get loan from banks. They ask land and gold as collateral...” FE16.

“They gave me so many conditions for instance I gave one of my lands for collateral. Not only that but Gold also...” FE26.

The narratives above from female entrepreneurs demonstrate that the collateral requirement from banks in Comoros is a significant challenge, particularly the demand for land and gold. They expressed hesitations about risking their primary sources of income and family sustenance, such as land, to provide as collateral. This illustrates the restrictive nature of these conditions, which not only prevent them from seeking loans but also highlight a challenge that affects their small businesses. For those who meet

the requirements, like FE26, the burden of providing both land and gold shows the sacrifices she had to endure.

### ***5.3.1.2 Interest Rate***

The second challenge that emerged for female entrepreneurs is the high-interest rate. Many interviewees expressed resentment over the interest rates, which they believe are unaffordable for small businesses. This prevents them from seeking loans and reinforces their belief that banks favor only large business owners. The following narratives highlight their concerns with high interest rates when they were asked whether they find it difficult to access loans and what challenges they face:

“From the bank? Yes of course. We even asked the loan from one of the banks, but we got rejected. Even the interest would be too high for us to bear and I’m sure the plan would also be complicated to understand...” FE2.

“The interest rate when we are paying would be very high and they can literally take all the profit” FE1.

“...Because those banks are for rich people and people who has big businesses. They give people high interest rate...” FE4.

“...As someone owning a small business, they will ask for collateral for instance, and you will have to pay back with interest. You, see?”

“... besides that, interest rest is known to be high....” FE16.

“I think the main reason why people avoid banks, is their requirements: collaterals and interest and other things...” FE19.

Their responses demonstrate that high-interest rates are a major constraint for their small businesses. Interviewees describe it as a financial burden, making it nearly impossible for them to maintain profitability while servicing loans. They consider high-interest rates as a way to benefit larger businesses while marginalizing the smaller ones.

They also emphasized that the combination of high-interest rates and collateral is overwhelming, making banks even more inaccessible.

### ***5.3.1.3 Nature of Business***

The nature of their businesses is mentioned as one of the challenges that prevent female entrepreneurs from accessing loans from banks. Several interviewees perceive their businesses as incompatible with the bank's requirements, which creates an exclusion of these small business owners from the banking system. The following statements illustrate how the nature of their businesses is a challenge for them:

“...ohhh, yes definitely. It is difficult for someone like me to go to the bank for loan. Challenges? The type of business that we are doing it is a challenge by itself” FE18.

“Ah, Challenges...you know being a lower income family or business it is a challenge itself” FE19.

“As a small business, it is challenging of course. But big businessmen it is not. That's for sure” FE20.

“This is not the kind of business that you approach the bank for a loan, so yeah having a small business is a challenge itself” FE23.

“Is it difficult? I assume yes. Just because we have a small business we do not fit in the bank's requirements” FE27.

The above statements highlight the challenge that female entrepreneurs face due to the nature of their businesses when accessing loans from banks. They repeatedly emphasize that operating a small business or coming from a lower-income background makes it difficult to meet the banks' requirements. This leads them to believe, or perceive, that they do not align with the banks' frameworks, reinforcing a cycle of financial inaccessibility.

#### ***5.3.1.4 Access loan from Banks***

Accessing loans from banks is another challenge for female entrepreneurs, which is explained in different ways: rejections from the bank, assumptions of rejection, and hesitation to apply for a loan. Below, their experiences are categorized and analyzed:

**Those who applied for a loan and got rejected:** One entrepreneur applied for a loan from one of the banks in the country but was ultimately rejected. She stated:

“We even asked for a loan from one of the banks, but we got rejected”  
(FE2).

This rejection reflects the strict requirements from banks and the exclusion of small businesses, further highlighting a lack of accessibility in the system.

**Those who assumed they would be rejected but did not apply:** Some entrepreneurs believe that if they meet the bank’s requirements, they might get the loan but decide not to apply due to not needing the loan or because of other challenges, such as high collateral or interest rates. For example, two interviewees stated:

“No. I do not think there will be any problem to get loan from the bank”  
FE10.

“I have this idea that banks are for rich people not someone like me...”  
FE17.

While the first entrepreneur reflects an optimistic view on accessing loans from banks, the second one believes it is possible to get the loan but doubts whether she might qualify as a small business owner. This discourages her from seeking the loan.

**Those who assumed they would be rejected but applied and got accepted:** One entrepreneur anticipated rejection but applied anyway despite her doubts. She said:

“When I was in the process of getting a loan, it was so long that I didn’t even think I would get it, but they called me one day and told me that I was entitled to the loan...” (FE6).

She was willing to engage with banks even while doubting their inclusiveness.

**Those who assumed they would be rejected and did not apply:** Lastly, many of the interviewees did not attempt to apply for loans, assuming they would be rejected due to their small business size or not fulfilling some of the bank's requirements. Their sentiments are reflected in quotations such as:

“I can assure you that we do not even try because we know their requirements...” (FE1).

“I never try to approach the bank for a loan because I assume that I will not be entitled to it...” (FE9).

“I do not think you will find someone doing these small businesses who will tell you that it is easy to get a loan from banks...” (FE16).

“This is not the kind of business where you approach the bank for a loan...” (FE23).

“Whether it is difficult or not, we avoid the bank.” (FE31).

This demonstrates that entrepreneurs have the perception that banks are not designed for them, which discourages them from seeking formal loans as they feel excluded.

The narratives collectively demonstrate that access to loans from banks is one of the challenges entrepreneurs are facing. Those who applied and got rejected prove the strict nature of the banks' processes in obtaining a loan, and those who assumed they would be rejected refrained from applying.

#### ***5.3.1.5 Conditions to the Loan***

Another challenge faced by female entrepreneurs in accessing loans from banks is the conditions attached to the loan. These conditions often involve either collateral, interest rates, as mentioned by the interviewees, or the procedures and unfamiliar requirements.

According to their narrations, these obstacles prevent them from seeking loans from banks. The narratives reveal that the conditions attached to the loans are not only financially burdensome but generally complicated for them. For example, one entrepreneur stated that:

“The challenges? It surely every condition that they give...” (FE1),

Explaining the frustration with the complicated banks’ requirements. Another interviewee stressed on how the conditions attached to the loan affect individuals with limited financial education, stating,

“Honestly, they have much more complicated conditions, and you know people like us, illiterate, but we need to provide for our family, we need something simple and easy to understand” (FE3).

In addition to that, entrepreneurs with small businesses avoid banks because of the combination between the conditions to the loan the process, and the involvement with interest and credit. FE7 stated that:

“In addition to that he did not want to get involved in any credit payment methods or process. For that, I would say that the challenges are the conditions that go with getting the loan” (FE7).

In brief, their experiences reflect how conditions attached to the loan create a barrier that exclude entrepreneurs owning small businesses, particularly those from non-educational backgrounds.

#### ***5.3.1.6 Short Period for Repayment***

During the interview with female entrepreneurs, one of them highlighted the short repayment period as a challenge she might face. She noted:

"However, for us, it is difficult. What happens is that either they do not give us the loans, or they give us a very short period to repay. The challenge here is the short period for repayment” (FE5).

FE5 expressed concern about the limited repayment period offered with loans, which creates difficulty for small businesses to sustain their operations. This can also increase financial pressure and reduce the chances of reinvesting in and growing their enterprises. While this concern was raised by only one entrepreneur, it may not be a widespread challenge among all entrepreneurs, but it still deserves to be addressed.

### ***5.3.1.7 Source of Loan***

As stated above, access to loans from banks is one of the challenges mentioned by female entrepreneurs. They identified the source of loans as one of the challenges they encounter when it comes to sourcing capital for their businesses. Because of this, most of the interviewees stated that they have to think of alternatives. For many of them, alternative sources of financial support particularly from family members such as spouses and siblings were essential, as accessing formal loans remains difficult.

Some interviewees shared that:

“Am...actually the farm is an inheritance from my parents, as for the money that I bought all the necessary instruments, it's from my husband so it is an internal financing as you explained” FE1.

“My big sister who is in France send us the money we bought the small boat and the lighting and everything that my husband and my brother use for fishing. So, it is internal” FE3.

“My brother was doing some personal business, and he saved some money, he bought everything that was needed, and he asked to do the business with him by selling and keeping the financial part. Based on what you explained to me it is an internal source of financing” FE7.

“As you explained to me, I can say that it is internal because three of us contributed and bought everything that we need” FE9.

“My husband and I help each other in the financing part. When I started the business, it was our pocket money that we use to buy materials” FE11.

“Internal. Money from family and we just decided one day to buy the boat and ant other materials that my husband is using for fishing” FE22.

In addition to family, loan from friends was considered by some the entrepreneurs as a source of loan. As it was noted:

“We needed some financing to buy materials from abroad so, we borrowed money from a family friend” FE2.

“I remember when I had the idea of starting to invest myself in this, I went to my best friend because I did not want to involve any of my family members. So, I got a loan from her. I bought some materials but now I paid everything Alhamdulillah” FE8.

“I borrowed money because when I started, I wanted to be something very serious so, I borrow the money from a family friend. I paid” FE19.

“As you explained the definition, it is external. I borrow money from one of my best friends. I mean the sister of my co-worker. She embraced the idea so much and she gave me a loan and I joined the business with her brother” FE27.

Preferring this kind of arrangement is explained by the flexibility and trust, and by inaccessibility of banks.

Only small number of interviewees managed to get loan from banks, and their experiences reveals challenges as well, such as high interest and collateral.

“I took a loan from the bank; we bought the small boat and all the necessary instruments and tools. When I was in the process of getting a loan, it was very long that I did not even think I would get it, but they called me one day and they told me that I was entitled to the loan. The only difficult thing that I am facing right now is paying the bank because their interest is very high. But Alhamdulillah I am not complaining” FE6.

“Five years ago, I was thinking about any business that I can do and at the same time will be fruitful and beneficial. Fishing, fishing is a business that bring a lot of money because every day we sell as many fishes as possible. The only problem is if the weather changes. But I did not have anything to buy the boat and the necessary materials. So, I approach the

bank for a loan They gave me so many conditions for instance I gave one of my lands for collateral. Not only that but Gold also” FE26.

The experience FE6 and FE26 is highlighting even though banks loan facilitates their businesses, it still came with challenges. For FE6, the loan helped to buy necessary materials, however the process of getting the loan was long, and interest rate was a struggle as well. Similarly, FE26 stated the conditions to be strict to bear.

Interestingly, few among the interviewees confirmed not requiring loans when they started their businesses, for instance:

“I did not need any financing. It is because the farm is an inheritance from my parents and the tools that I am using it’s my husband that gave them to me. We are still living in a very traditional era here and you know that” FE4.

“I did not need any financing. It is because all the materials are for him not me. Secondly the farm is inherited from my parents” FE10.

“We did not particularly need any financing so, anything that we needed we bought it from our pocket money” FE17.

“Did we need financing? I do not think we did. The financing that we may need now is to enhance our businesses and to buy new materials” FE18.

“I did not need any financing then. However, at this moment, the thing that I will need is enhancing my materials and expend my business” FE24.

This reveal that these categories of entrepreneurs did not need any loan to start their businesses, they relied instead on their inherited assets such as land or family farms. This is rooted by traditional and Comorian family structure support, for instance, FE4 and FE10, inheritance played a huge role, while others, like FE17, started their businesses through personal finances. Besides that, FE18 and FE24, a need to enhance their businesses or upgrading their materials, indicating that while loans were unnecessary initially, they may need a financial support for the success of their businesses.

### 5.3.2 Theme 2: Level of the Application of *Zakat* and *Waqf* in Comoros

The second theme that emerged from the data analysis with the assistance of ATLAS. This is the level of application of *zakat* and *waqf* in Comoros. This refers to the extent to which *zakat* and *waqf* are practiced and integrated into the socio-economic life of Comorians. It involves understanding the awareness of these instruments among Comorians, as well as the existence and effectiveness of the institutions responsible for their management and distribution. Therefore, this section will provide a comprehensive view of how *zakat* and *waqf* are applied in Comoros. The following subtopics will discuss the subthemes, offering a deeper understanding of the awareness and institutions related to *zakat* and *waqf*. Figure 5.2 summarizes this theme, and each of the subthemes is further discussed in the following sections.

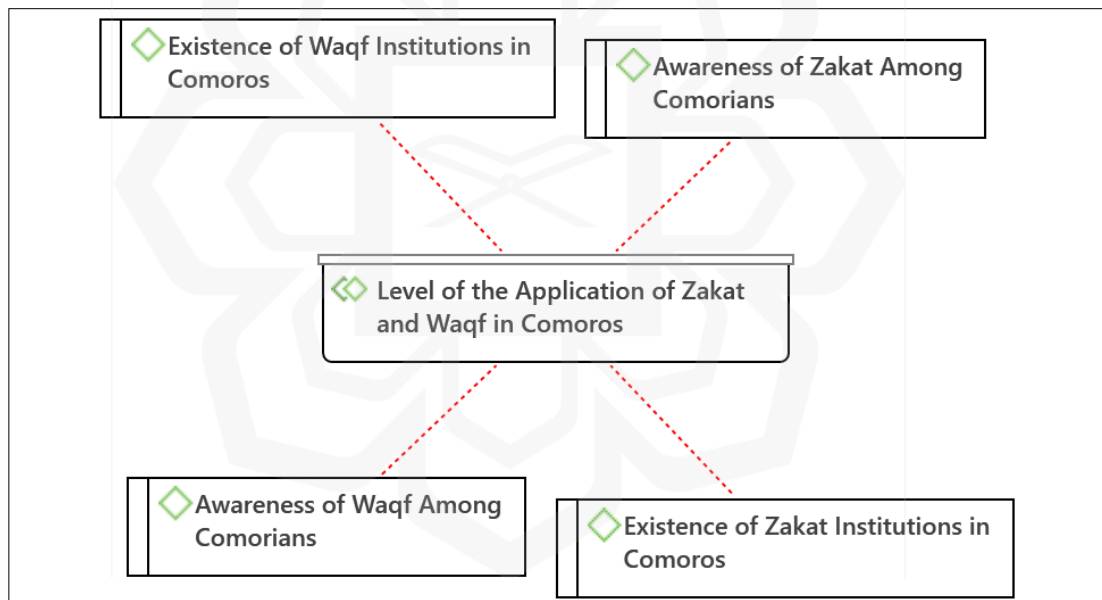


Figure 5.2 Theme 2: Level of Application of *Zakat* and *Waqf* in Comoros

#### 5.3.2.1 Awareness of *Zakat* Among Comorians

To understand the level of application of *zakat* in Comoros, its awareness emerged as a subtheme. This subtheme explains the extent of understanding and knowledge about *zakat* among Comorians. Experts in the focus groups explained the role of awareness in ensuring *zakat* fulfills its purpose.

The discussions revealed that, even though *zakat* is widely recognized as a religious obligation in Comoros, there are different levels of understanding regarding its calculation methods. For instance, one participant noted,

“...We calculate for them, and some calculate for themselves. We have a document in which the rate of Gold, silver and money is clearly stated...”  
DZ1.

This statement implies that some have knowledge of the principals and calculation of *zakat*, and some do not, that is why they need external assistance. This may also imply that some individuals need an educational initiative to address this gap.

In addition to that, they mentioned the influence, and initiatives for the awareness of *zakat*, interviewees from Dar-al-*zakat* stated that:

“...we approached media for awareness, we went also to small villages to approach people, the government itself help in their way by telling people about the contribution of *zakat*...” DZ1.

“...if I may add, approaching the media is the most efficient way. It is because it reaches as many people as we target them” DZ2.

“At the same time, mostly we have to organize events to remind them about *Zakat*” DZ1.

The above narratives show the different approaches to raising awareness in Comoros, emphasizing the importance of using various channels, including media outreach, direct community engagement, and government support. It further demonstrates the recognition of both urban and rural populations in the awareness campaign. The efficiency of using media within the local context was reinforced during the focus group, reflecting the modern context where communication can reach as many Comorians as possible. Organizing events is also one of the common ways to reach people in a small country like Comoros. In other words, gatherings are one of the crucial ways to strengthen the sense of community and provide opportunities for education, clarification, and motivation about *zakat*.

Furthermore, in understanding the awareness of *zakat* in Comoros, experts were asked based on their knowledge the level of awareness amongst Comorian. Their opinions converge to the fact that Comorians are aware of the existence of *zakat* and *waqf*, but they are not aware to its contribution to boosting entrepreneurship. Further, all of the experts confirmed that in Comoros, *zakat* and *waqf* are at the embryonical stage when it comes to its capacity to contribute to economic growth particularly entrepreneurship. In their statements they confirmed that:

“I do believe that Comorians are aware of the concept of *Zakat* and its significant in the sense that they know it is something that helps the poor in the country. However, not to the extent of your research I do not think Comorians are aware that *zakat* money can help them even more if we focus on the financing side” DZ1.

This indicates that Comorians are generally aware of *zakat* as a tool for supporting the poor. However, the interviewee (DZ1) confirmed the gap in deeper awareness regarding the potential of *zakat* as a financing tool. This suggests that while *zakat* is known and valued for its charitable role in Comoros, its capacity to contribute to socio-economic development remains underexplored.

In brief, the awareness of *zakat* in Comoros highlights the varying levels of understanding among Comorians. To address this, institutions of *zakat*, particularly Dar-al-*zakat*, organize different events and approaches to remedy this gap. Lastly, while there is awareness of *zakat* in the country, there remains a gap in understanding its potential as a financing tool.

### **5.3.2.2 Awareness of Waqf Among Comorians**

Awareness here refers to the level of knowledge about *waqf* among Comorians. During the focus groups and the semi-structured interview with the Kadi, the findings reveal varying levels of awareness. There is an understanding of the basic purpose of *waqf*; however, a deeper understanding of its potential as a financing tool is limited.

Firstly, the discussion with the Kadi revealed that Comorians are broadly aware of the concept of *waqf*. Indeed, *waqf* is recognized in the country as a charitable

endowment, supporting community and welfare projects such as mosques and schools.

The Kadi stated that:

“...We are fortunate enough to be a Muslim country that, so the awareness exists...” KD.

This basic awareness shows the strong culture and religious connections among the population, it is because of the shared traditions and values that guide Comorians. Religious teachings and cultural practices are within the social norms, it further gives a sense of unity among the people.

However, despite this foundation, some experts emphasized the need for greater awareness to develop people’s understanding of *waqf*. It was noted during the focus group that people still need to better understand the operations of *waqf* and its socio-economic benefits. When asked whether awareness of *waqf* is needed among Comorians, one expert stated that:

“... yes definitely, it is because first people need to understand that this is something that Muslim will benefit from and besides that, people need transparency in this kind of program. They especially need to understand that this is something that will help eradicate poverty....” IA1.

The statement emphasizes the importance of deepening awareness of *waqf*, particularly in terms of understanding and transparency. Comorians need to recognize that *waqf* has the potential to contribute to the Muslim community and help address poverty. According to experts, this will build trust and encourage participation, thereby enabling *waqf* to serve as a tool for social and economic development.

Finally, the focus groups revealed that while Comorians are familiar with the basic definitions of *waqf*, they are not aware of its potential as a financing tool for socio-economic development, particularly in financing entrepreneurship. Experts noted that:

“I think they are not. I think Comorians just rely on the basics which mean giving *Awqaf* for Muslims to benefit from them, a very basic definition and purpose of *waqf*. People give land and money *Awqaf* for others to benefit from them...” IA2.

“...So, yes, I think people are aware of that. However, the significant in term financing I do not think they are aware of that. For now, *Waqf* is managed in the normal and basic way but no investment or anything else...” KD.

The above narrations stress on a limit understanding and awareness of *waqf* among Comorians. IA2 confirmed that the current perception of *waqf* is at its basic functions including providing land or money that benefit the society without any deeper consideration of its socio-development potential.

Similarly, KD highlight that while people are aware of *waqf* in its basic form, they lack they lack awareness of its potential as a significant financial tool. This means that *waqf* in Comoros is managed traditionally, without considering its capacity for investment or sustainable development.

In brief, awareness of *waqf* in Comoros comprises of a basic knowledge and a considerable gap in deeper understanding and its potential to contribute to socio-economic development. This implies that there is the need to educate people about a deeper understanding of *waqf* and its potential.

### **5.3.2.3 Existence of Zakat Institutions in Comoros**

This section aims to determine whether formal institutions are established in Comoros to administer and manage the collection and distribution of *zakat*. This will help assess their role and contribution. During the focus group discussions with experts, the questions were asked specifically regarding their area of expertise, as their fields of specialization differ. Respondents had various approaches to answering the interview questions.

When the researcher asked how the *zakat* system/institutions in Comoros operate, experts stated that:

“There is an agency that was created in the ministry of finance comprise of, a member of the Cabinet of the Minister of Finance, a representative of the Arab department (Ministry of finance), a representative of the Ministry of External Relations, and a representative of the Ministry of

Islamic Affairs. The purpose of this committee is the collection and distribution of *zakat* to the beneficiaries...” MF1.

He continued by saying that:

“...The funds collected must be paid into account TR0046 “Fonds Comorien de *zakat*” opened at the central bank. Besides that, there is Dar Al-*Zakat* that is also in charge of collecting and distributing *Zakat*...” MF1.

“First, Dar al *Zakat* started operating only in NGAZIDJA (big Island) and lately, the Mufti of the country said that we cannot operate only for the big island, but we need to expand our operations to the other islands” DZ1.

Experts explained the institutions and mechanisms in place for managing *zakat* in Comoros. According to MF1, an agency within the Ministry of Finance has been established to oversee the collection and distribution of *zakat*. This agency comprises representatives from key governmental departments: the Cabinet of the Minister of Finance, the Arab Department within the Ministry of Finance, the Ministry of External Relations, and the Ministry of Islamic Affairs. This structure ensures transparency and alignment with both national governance and Islamic principles.

Furthermore, the main role of the agency is to collect funds from TR0046 “Fonds Comorien de *Zakat*,” which is held at the central bank. The purpose of the account is to save the *zakat* funds, ensuring they are managed responsibly and available for distribution to eligible beneficiaries.

In addition to this formal mechanism, Dar Al-*Zakat* is the second institution responsible for the collection and distribution of *zakat* in Comoros. The institution is directly engaged with Comorians to enhance accessibility and awareness of *zakat*, ensuring the needs of *zakat* recipients are fulfilled.

In short, the agency within the Ministry of Finance and Dar Al-*Zakat* are the two institutions responsible for awareness, collection, and distribution of *zakat* in Comoros. While Dar Al-*Zakat* collects *zakat* manually, the Ministry of Finance deposits it in an account at the central bank of Comoros.

#### 5.3.2.4 Existence of Waqf Institution in Comoros

Similarly, in understanding *waqf* in Comoros, it is important to know whether there are formal institutions dedicated to managing *waqf* assets. This includes identifying the scope of their activities and the extent of their presence across the country. The management of *waqf* in Comoros is a shared responsibility between the Islamic Affairs Division and the Kadi of each region, as stated during the focus group. They receive, record, and oversee *waqf* money or properties. Below are quotations illustrating experts' perspectives:

"...First, us (Islamic affairs Division) if we are involved, we are responsible for receiving Awqaf, secondly *Kadis* are mainly responsible for that..." IA1.

"...It is stated in our law documents that *waqf* is one of our missions as Islamic affairs division..." IA2.

"...legally the system is that *Kadis* and the Islamic department divisions are in charge..." KD.

"...Legally, as *Kadi* I have the right to manage those Awqaf only if they approach me. Besides that, the Islamic affairs division also it is one of their purposes, managing Awqaf..." KD.

"Besides that, some people come to me and write a *waqf* statement for their valuable property, it just there is not a real management for those property" KD.

"Recently in January, a law was enacted in which *Kadi* will be managing all Awqaf. The law has already passed but has not been implemented yet..." KD.

The above statements underline the responsibility of the Kadi and the Islamic Affairs Division in the management of *waqf* in Comoros. Both are legally entitled to oversee *waqf*, as stated by IA1, IA2, and KD during the discussions. This responsibility involves receiving, recording, and sometimes managing *waqf* within the country. For the Kadi, it is also a more direct role, particularly when people approach him to formalize *waqf* declarations, as noted in KD's statements.

KD mentioned a recent legislation that grants exclusive authority to him on the management of *waqf*, although it has not yet taken effect. Until this law takes effect, the shared responsibilities for *waqf* management will remain between the Kadi and the Islamic Affairs Division.

Additionally, there is an exception where Comorians can appoint themselves or other individuals to manage their *waqf* properties. This provides a more personalized approach in addition to the roles of the Kadi and the Islamic Affairs Division. The Kadi stated that:

“...No, only citizens appoint themselves, for instance, someone who had property and give it for *waqf* and said any income generating from my property will be used for any mosque expenses...” KD.

This statement illustrates a scenario where Comorians can independently establish and manage *waqf*, or even appoint themselves within their community to manage it, particularly when the *waqf* involves a Masjid, as stated by KD. In other words, this provides a formal way of managing *waqf* in the country, in addition to the official roles of the Kadi or the Islamic Affairs Division.

### **5.3.3 Theme 3: *Zakat* and *Waqf* as Financing Tools for Female Entrepreneurs in Comoros**

The figure below illustrates the third theme related to the third research objective, which is *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros. The diagram highlights four key factors interconnected to show how *zakat* and *waqf* can potentially serve as financial tools for female entrepreneurs in Comoros. In the following sections, these subthemes will be discussed thoroughly.

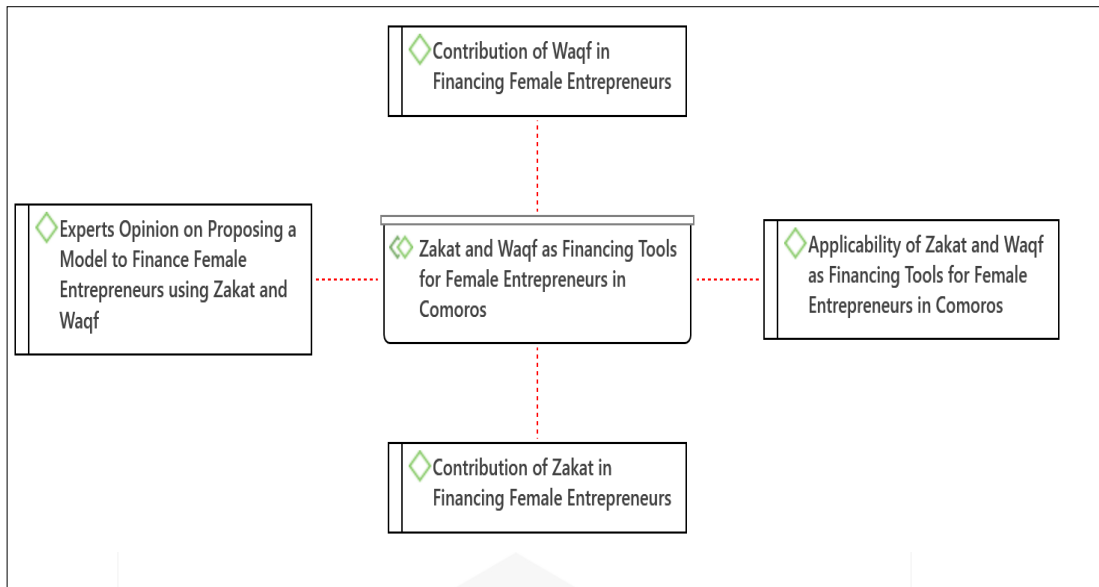


Figure 5.3 Theme 3: *Zakat* and *Waqf* as Financing Tools for Female Entrepreneurs in Comoros

### 5.3.3.1 *Applicability of Zakat and Waqf as Financing Tools for Female Entrepreneurs in Comoros*

The applicability of *zakat* and *waqf* refers to the possibility and potential of using them to finance female entrepreneurs in Comoros. To assess their applicability, the feasibility of their implementation was considered. Therefore, in this section, expert opinions on the possibility of using *zakat* and *waqf* for this purpose are discussed.

Experts expressed unanimous agreement on the feasibility of using *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros. Their responses are as follows:

“...first, as I told you it is a wonderful idea, in the context of Comoros it is definitely possible as I confirmed to you, we just need good management...” MF1.

“...For me, in my opinion using *Zakat* and *waqf* fund with Mudarabah and Qard contract is a good start, considering you want to introduce those Islamic finance activities in the country. ...” MF2.

“...It is a good idea; I think it is needed in the country...” DZ1.

“...I think it will help a lot, ...yes...” IA2.

“Yes, it is possible...” KD.

Experts highlight that the idea of using *zakat* and *waqf* for this purpose is viable and much needed in the country, provided there is good management in place, as stated by MF1. His opinion is echoed by DZ1, who also states that it is needed in the country. This affirms the relevance of using these tools to support female entrepreneurs, and as recognized by experts, considering the unique characteristics of Comoros, these tools can help lift and support female entrepreneurs.

Another common point raised by experts is the importance of the management structure. A few of them suggest the appointment of an independent committee to oversee the administration of *zakat* and *waqf* funds. MF2 describes it as “the best option” to ensure transparency and accountability. MF2 stressed that proper management would result from appointing an independent committee. This suggests the recognition of the main objective of this research and its practicality in implementation.

The consensus among experts is that using *zakat* and *waqf* to finance female entrepreneurs is possible within the context of Comoros and would be highly beneficial. As the Kadi stated, “Yes, it is possible,” and IA2 stressed that it “will help a lot.” These affirmations, optimism, and confidence show the alignment of this initiative with the socio-economic context of Comoros and its capacity to create lasting positive impacts.

In brief, the applicability of *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros is supported by experts, highlighting the necessity for proper management. It is a promising opportunity to help female entrepreneurs enhance their small businesses. Contribution of Zakat in Financing Female Entrepreneurs.

The contribution of *zakat* refers to whether the collection and payment are enough to be used to finance female entrepreneurs. That is why understanding the extent and regularity of *zakat* payment in Comoros is crucial to evaluate its potential. In this section, experts’ insights are assessed to know whether it can be a reliable source of financing:

“...people are definitely paying *Zakat*...” MF1.

“...the contribution can be noticed in the payment of *Zakat* by the Comorians...”MF2.

“...there is but still there is always more people needing *Zakat*...” DZ1.

“...For instance, we recently wanted to buy stationery for primary school students, and we got *Sadaqah* from someone who bought all the school bags. Another person bought pens and the other bought books and notebooks...”DZ1.

The contributions of *zakat* in Comoros can serve as a source of support. Experts confirmed that *zakat* is being paid by Comorians, providing a foundation for its potential as a financing tool. As MF1 stated, “people are definitely paying *zakat*,” which was confirmed by another expert who noted, “The contribution can be noticed in the payment of *zakat* by the Comorians” (MF2). This indicates that the payment of *zakat* is very regular within society, providing a reliable base.

An example of the payment and contribution of *zakat* was given by one of the experts, describing how individuals contribute to *Sadaqah* (voluntary charity) to provide school supplies for primary students: “Someone bought all the school bags. Another person bought pens, and the other bought books and notebooks” (DZ1). While this example focuses on *Sadaqah* rather than *zakat*, it shows the community’s commitment to charitable giving to address people’s needs.

These narrations suggest that *zakat* contributions in Comoros are sufficient to finance female entrepreneurs, depending on the availability or surplus of *zakat* funds. Using *zakat* for this purpose would require a strategic approach, including proper management and increased awareness. In brief, the contribution of *zakat* in Comoros shows potential as a financing tool, as confirmed by experts.

### 5.3.3.2 Contribution of Waqf in Financing Female Entrepreneurs

*Waqf* in Comoros exists in the form of land and cash *waqf*, the contribution of *waqf* here refers to whether the current availability of *waqf* in Comoros is sufficient enough to finance female entrepreneurs. Therefore, in this section experts' opinion and expertise is explored, when asked the question, some of their narrations are as follow:

“...definitely, there is abundant of Awqaf in this country both land and Money...” IA2.

“Yes, there are so many Awqaf in the country...” IA1.

“...yes, there is. Many Awqaf for both land and money...” KD.

“... As I explained before, there is abundant of Awqaf in the country both land and money Awqaf...” KD.

“...*waqf* is something existing in the Country since, therefore, people started given Awqaf long time ago. Back then, it was only land and now people are also giving money for *waqf*...” KD.

“...Those Awqaf, I can testify that, they are generating some income...” KD.

The above narrations from experts affirm the availability of *waqf* in Comoros, confirming its potential to be used as a source of financing for female entrepreneurs. Being a Muslim country, the historical presence of *waqf* dates back a long time, providing a foundation to explore its potential contribution to economic development. As stated, “Definitely, there is an abundance of Awqaf in this country, both land and money” (IA2), reflecting the availability of *waqf* assets. Another expert confirmed, “Yes, there are so many Awqaf in the country” (IA1). These statements demonstrate the significance of *waqf* as a resource that can be used for broader socio-economic purposes.

The evolution of *waqf* in Comoros further proves its significance. One expert explained, “*Waqf* has been existing in the country for a long time. People started giving Awqaf long ago. Before, it was only land, and now people are also giving money for

*Waqf*' (KD). The opinion of the Kadi shows the expansion of the potential use of *waqf* in Comoros, as there is now also the availability of monetary *waqf*. It also suggests that *waqf* in Comoros can be used for charitable purposes and as a source of funding for entrepreneurs.

The ability of existing *waqf* in Comoros to generate income is another significant factor in its contribution to financing female entrepreneurs. One expert asserted, "Those Awqaf, I can testify, are generating some income" (KD), indicating that the assets are not passive but actively contribute to economic activities. Its ability to generate income is important because it shows ongoing support for Comorians, and therefore, can serve as a continuous source of funding for female entrepreneurs.

In short, the contribution of *waqf* in Comoros is promising, with existing resources of both land and money. The historical presence, adaptability, and income-generating capacity of *waqf* make it a viable tool for financing female entrepreneurs.

In other words, in Comoros, *zakat* and *waqf* funds are currently focusing primarily on immediate relief for the *Asnaf* categories and beneficiaries, particularly the poor (*fuqarā'*) and the needy (*masākīn*). Distributions are typically in the form of short-term assistance such as food parcels, basic household items, or modest cash handouts to address urgent needs. These interventions, while essential for social support, are not strategically structured to foster long-term economic empowerment or productive capacity among beneficiaries. As a result, the potential of Islamic social finance instruments remains underexplored, as funds are largely confined to consumption purposes rather than being channelled into sustainable initiatives such as entrepreneurship development or income-generating projects.

### ***5.3.3.3 Experts Opinion on Proposing a Model to Finance Female Entrepreneurs using Zakat and Waqf***

After seeking experts' opinions and expertise on the applicability of *zakat* and *waqf* as financing tools for female entrepreneurs, the last item in understanding *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros is seeking experts' opinions on proposing a model that will explain and facilitate the channelling of these funds. This

model aims to explore beyond the traditional use of *zakat* and *waqf*, empower female entrepreneurs by alleviating the challenges they face, and further align with the introduction of *Shariah*-based alternatives. Therefore, in this section, experts' opinions on the model's feasibility and significance are explored. When asked the question, some of their responses are as follows:

"...It is one of the projects that we have, people who are receiving *Zakat* should get the chance to enlarge their income instead of using it for consumption only..." MF1.

"..., so, your idea is a pretty good one. It will be helpful in the sense that we can use your model and that is a way of introducing Islamic finance in the country..." MF1.

"Introducing the model is a very good idea and I think it will be a way to help entrepreneurs in need..." IA1.

"...I think it is a good idea. I think as I told you before that is what we need in order to enhance and beneficiate the *Awqaf* in this Country..." KD.

"That will be a good idea. We have teachers in that field, they will be a huge help in your project..." KD.

The introduction of the model is unanimously supported by experts, who stress its relevance. Their narratives highlight the need for such initiatives and its alignment with Comorians' socio-economic needs, as emphasized by MF1: "That is a very good idea, and that is what this country needs." This emphasizes the need to use *zakat* and *waqf* to promote sustainable economic growth in Comoros. Experts believe that this initiative will shift the focus from short-term goals to long-lasting development, or in other words, "to enlarge their income instead of using it for consumption only" (MF1).

In addition, introducing the model is perceived as a foundation for introducing Islamic finance principles into the country. As one expert noted, the idea "will be helpful in the sense that we can use your model, and that is a way of introducing Islamic finance into the country." This comment highlights two impacts of the model: addressing financial needs and promoting Islamic finance in the country.

The impact of addressing specific needs for entrepreneurs was also highlighted by one of the experts: "Introducing the model is a very good idea, and I think it will be a way to help entrepreneurs in need" (IA1). This points to the role the model may play in supporting female entrepreneurs in accessing finance. The model is further considered by experts as a way to optimize *waqf* assets: "That is what we need in order to enhance and benefit the Awqaf in this country" (KD). This means that when managed effectively, *waqf* assets could serve as a source of funding for entrepreneurs. The existing resources of *waqf* were given as an example by KD: "We have teachers in that field; they will be a huge help in your project" (KD), acknowledging the availability of expertise that can help ensure the success of the model.

In brief, experts view the introduction of a model to channel *zakat* and *waqf* funds to finance female entrepreneurs as an important step to empower female entrepreneurs and transition *zakat* and *waqf* from charitable practices to dynamic tools for sustainable growth.

#### **5.3.4 Additional Themes**

In the process of analyzing the data collected from the interviews and focus groups, and after achieving the four objectives of the research, three additional themes emerged. While they do not directly answer any of the research questions, they align closely with the research objectives. Figure 5.4 summarizes the three additional themes, and they will be thoroughly discussed in the following sections.

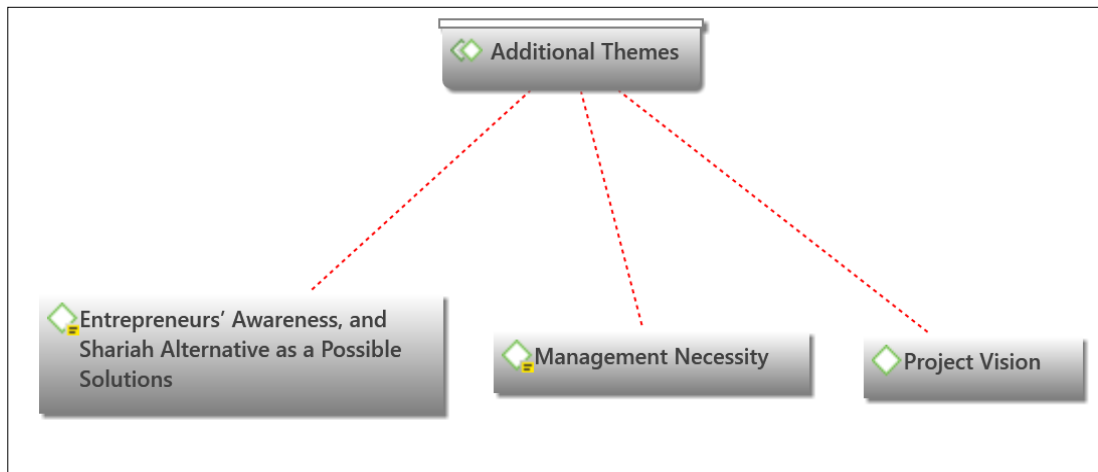


Figure 5.4 Additional Themes

#### 5.3.4.1 *Entrepreneurs' Awareness, and Shariah Alternative as a Possible Solutions*

The first theme emerged is from female entrepreneurs and it represents two observations: the entrepreneurs' limited awareness of *zakat* and *waqf* as sources of financing and their openness to *Shariah*-compliant alternatives as solutions to their financial challenges. Some of their narrations are as follow:

"...I know about *Zakat*, *Waqf* and *Sadaqah* but I did not know we can use them for financing..." FE1.

"...I would not know that we can use *Zakat* and *waqf* money for loan..." FE7.

"...*zakat* and *waqf* are very known for us Muslims. Banking products I do not know..." FE11.

"...Yes, I am aware of them. I did not know we can use them for business loan..." FE16.

"...first, I never heard Islamic finance before. I know *zakat* and *waqf* as instruments but the products I do not know..." FE19.

The narrations show a gap in awareness among entrepreneurs on the potential of *zakat* and *waqf* as a source of financing. They confirmed however, being familiar with the basic principles of these instruments as Islamic obligations, this confirms

experts' opinion who believed that Comorians including entrepreneurs are not aware of the potential of *zakat* and *waqf* to serve as a financing alternative.

However, even though there is gap in the awareness, they expressed optimism on adopting *Shariah* alternative using *zakat* and *waqf*. They narrations are as follow:

“...Ah, I have never heard about Islamic finance before, so the advantage of that is avoiding Haram income and all. Secondly, if it is a way to alleviate this burden, we will embrace it. And I am sure I can extend the work that I have been doing with my husband for years now...” FE1.

“...As an entrepreneur, owning small business, the support that we need it's both financial and newness. We need to leave in this archaic era, and we need to access finance very easily from people who will trust us and the work that we do. If Islamic finance method alleviates those challenges we will welcome it...” FE5.

“...I really do not know the difference, but the fact that it is an Islamic financing, I believe it will be welcomed by many of us and beside everyone will trust it. I just hope there is a difference, and it will help us to alleviate the challenges that we are facing...” FE6.

“...Anything that will help us to grow and to expend, we will welcome it and appreciate it. Anything that will be in line with *Shariah* principles I believe it be different from what we have here...” FE15.

“... *Shariah* compliant is something very important to everyone in this country as Muslims. I believe it will be beneficial for people like me owning a small business...” FE27.

Entrepreneur expressed trust on *Shariah* alternative believing that it would offer different advantages over the conventional methods. This can be explained by an alignment of value with their spiritual believe, particularly a way to avoid unethical practices. Their openness and experts' validation show an opportunity to introduce and promote *Shariah* based financing alternative, and particularly to introduce the proposed model.

#### 5.3.4.2 Management Necessity

The second theme that emerged is "Management Necessity." This highlights a challenge that experts commonly emphasize in managing *zakat* and *waqf* resources. While they acknowledge the substantial contribution of these instruments, their impact is constrained by a lack of proper management. The experts' narratives are as follows:

"...Having good use of *zakat* that what we should be doing in the coming years for Comorians..." MF1.

"...Those people that we are helping they need good management of *zakat*..." DZ1.

"...The problem is not the contribution the problem is proper management..." IA2.

"...one of the challenges that surrounds *waqf* is that the government has not yet enacted and to vote on a law of appointing a committee or a body in charge of managing *waqf*..." IA1.

"...There are so many people in this country that are willing to give their property for *waqf* money, but they need to know that there is management, trust, and transparency..." IA1.

"...the most unfortunate thing is that there is not an office or institution that is managing those *waqf*..." KD.

The above statements highlight a common concern regarding the management of *zakat* and *waqf* as a challenge. Experts expressed that this lack of management prevents them from maximizing these tools to address societal issues. They suggest the need for proper management to ensure trust and efficiency in administration.

Referring to the above quotations, MF1 and DZ1 believe that effective management is crucial to serving the needs of the people. IA2, on the other hand, emphasizes that the primary issue lies not in the willingness to contribute but in ensuring proper management. IA1 points out that there is a gap in *waqf* management, citing the

absence of a body to oversee its administration. KD agrees with IA1, blaming the non-existence of an office or institution dedicated to managing *waqf*.

Experts gave examples on the impact of the lack of a proper management, and they stated that:

“...Another challenge is that people who are occupying some of the Awqaf houses do not want to leave. It is because they believe that as they have been staying for too long, ownership belongs to them...” IA1.

“...One of the challenges is that the *waqf* houses that are under leasing, people do not pay rent...” KD.

“...Another thing, people who are staying in those houses allow themselves to lend the apartment to other people who do not even know it is a *waqf* property. So, when the *waqf* owner wants to collect rent it is difficult because the current tenant does not even know the owner...” KD.

“... One of the challenges is that some tenants do not want to pay rent, they even take it to court, because they believe that first as they have been staying in the place for so long, the place or the house belongs to them. Second, because they believe they should not pay rent on a *waqf* property...” KD.

The above statements are examples of the consequences of mismanagement of *waqf*. Experts noted that, without proper guidance, tenants occupying *waqf* properties often develop misconceptions, such as claiming ownership or refusing to pay rent because they believe *waqf* properties should not generate income.

This highlights the need to create a solid management system to build trust and accountability. Therefore, the proposed model may offer a solution to address the management challenge by ensuring clarity and transparency.

### 5.3.4.3 Project Vision

The third theme identified is "Project Vision." This theme refers to the forward-looking ideas of experts on how to use *zakat* and *waqf* to foster development by supporting entrepreneurs. They expressed a need to use these tools to support the needy, particularly women, and this reflects a commitment to sustainable development. Their narrations are as follows:

“...The general idea that we have is financing micro business using *Zakat*, so your idea is a pretty good one. It will be helpful in the sense that we can use your model and that is a way of introducing Islamic finance in the country...” MF1.

“...but we have a project in which a health center for the needy, a project to finance the needy to do small businesses. Besides that, on other islands we need to sponsor the needy who want to get married but do not have the financial ability to do so. And the amount that we will give them will be for Mahr and the other half will be for them to open a small business to make a living. We would like also to open a school for women disable. For now, we are focusing first on launching the activities on other islands...” DZ1.

“...but we can have a multi-purpose building for offices, and income generating from that can help people. We can also build Islamic Hospital with very low consultation fees, that we contribute to the society, it can also help orphans who do not have financial ability to study, go to the hospital...” KD.

These narrations demonstrate that experts have both the idea and the determination to use *zakat* and *waqf* to their full potential for socio-economic development. This shared determination among experts is primarily aimed at addressing socio-economic needs. MF1 emphasizes the potential of *zakat* to finance micro-businesses, reflecting an initiative to introduce Islamic finance in the country and support entrepreneurship development.

DZ1 stressed a different approach to social welfare, suggesting projects such as health centers for the needy, supporting marriage expenses, financing small businesses, and opening a school for disabled women using *zakat* money. Similarly, KD has a different vision for infrastructure that would be beneficial for both society and financial

purposes. For example, a multi-purpose building and an Islamic hospital to generate income while providing affordable services to vulnerable populations, such as orphans and low-income individuals.

Together, these visions show a deep commitment to addressing societal challenges using *zakat* and *waqf*. Before starting the data collection, these visions were unknown to the researcher. This suggests that the proposed model by the researcher aligns with the research objectives and might serve as support or a reference for experts in realizing these visions.

#### 5.4 CHAPTER SUMMARY

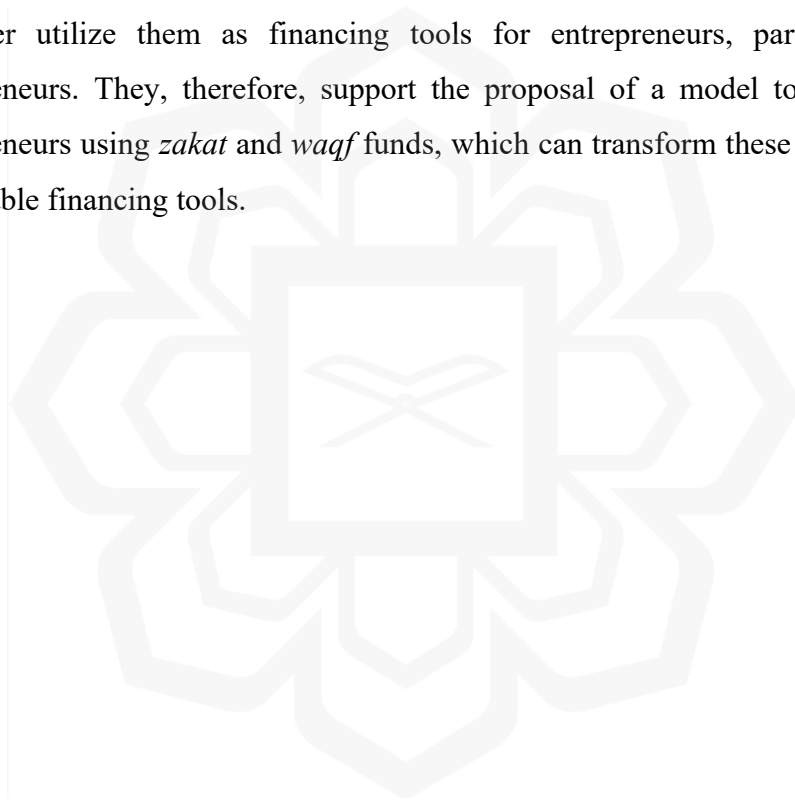
This chapter discusses the data analysis of the research collected through interviews with female entrepreneurs in Comoros and experts in Islamic social finance. The data provides findings on the challenges faced by female entrepreneurs in the informal sector in Comoros, the current application of *zakat* and *waqf*, and the potential for these instruments to serve as alternative financing tools.

First, the research focuses on thirty-two female entrepreneurs who own businesses in the informal sector in Comoros, particularly in agriculture, fishing, and forestry. The data reveals the challenges faced by these female entrepreneurs. These challenges include collateral requirements, interest rates, loan conditions, short repayment periods, the nature of their businesses, sources of loans, and access to bank loans, with the perception that banks prioritize large enterprises. As a result, many entrepreneurs avoid banks entirely, relying instead on internal loans from family, external loans from friends, and a small minority who obtain bank loans.

Secondly, the interviews with experts provide findings on the level of *zakat* and *waqf* application in Comoros. These experts are from key institutions related to *zakat* and *waqf*, namely Dar al-Zakat, the Ministry of Finance, and the Islamic Affairs Division, along with the Kadi of the largest city. The findings illustrate that *zakat* is manually collected by Dar al-Zakat or deposited into an account at the central bank, overseen by a government committee in the Ministry of Finance. However, the

distribution of *zakat* focuses primarily on immediate consumption needs rather than long-term economic development. On the other hand, *waqf* can be managed informally by family-appointed trustees or formally and legally by the Islamic Affairs Division or any Kadi of each region. Despite the abundance of *waqf* in the country, as mentioned by the experts, its economic potential remains largely unexplored.

As such, female entrepreneurs expressed enthusiasm for alternative financing aligned with Islamic principles that would alleviate the challenges faced with conventional banks, particularly interest and collateral. Experts shared this vision, emphasizing the need to centralize the management and structure of both *zakat* and *waqf* to better utilize them as financing tools for entrepreneurs, particularly female entrepreneurs. They, therefore, support the proposal of a model to finance female entrepreneurs using *zakat* and *waqf* funds, which can transform these instruments into sustainable financing tools.



## CHAPTER SIX

### FINANCING FEMALE ENTREPRENEURS USING ISFIs: A PROPOSED MODEL

#### 6.1 INTRODUCTION

The last objective of this research is to propose a model to finance female entrepreneurs in Comoros using *zakat* and *waqf*. Therefore, this chapter introduces the Financing Female Entrepreneurs (FFE) model. The chapter is divided into four sub-topics. After the introduction, the proposed Financing Female Entrepreneurs (FFE) model is presented, including a discussion of the elements of the model. This is followed by a discussion of the findings and a chapter summary.

#### 6.2 THE COMPONENTS OF PROPOSED FINANCING FEMALE ENTREPRENEURS (FFE) MODEL

Supporting female entrepreneurs through the proposed model is essential for alleviating the unique challenges they face in the conventional system in Comoros and providing them with the opportunity to access *Shariah*-compliant alternatives. The key components incorporated in the proposed model are gathered from the research data and existing literature, and they are comprehensively discussed in the following sections:

##### 6.2.1 The Committee

The first key component of the proposed model is the committee to oversee financing activities. Experts in Islamic social finance mentioned during the focus group discussions the importance of such a committee. They unanimously highlighted that appointing a dedicated committee would be feasible within the context of Comoros. Furthermore, they stressed the importance of ensuring transparency and independence from any outside influence.

“...Appointing an independent committee to manage those funds. It is a good idea, and it is possible...” MF1.

“...For the issue of appointing committee, I believe that will be the best option. It is because it needs to be independent from external influence...” MF2.

“...I think it will help a lot yes (referring to appointing a committee) ...” IA2.

“...yes, it is possible (referring to appointing a committee) ...” KD.

In any financial structure, committees play an important role in monitoring the flow and use of funds. This is particularly significant in the context of Islamic finance, where compliance with *Shariah* principles is crucial. Their responsibilities may include reviewing applications, ensuring equitable distribution of resources, and maintaining regular audits to ensure compliance with *Shariah* principles. Committees appointed to oversee governance in Islamic financial institutions improve operational integrity and reduce the risks associated with mismanagement or non-compliance with *Shariah* principles (Hassan & Harahap, 2010). The AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) recommends the formation of governance committees to ensure transparency and compliance with ethical and legal standards (AAOIFI, 2024). Therefore, including a committee within the proposed model aligns with experts' recommendations and strengthens the model by providing a sustainable governance mechanism.

### **6.2.2 Mudarabah Contract**

Another component of the proposed model is the Mudarabah contract, which involves a collaboration between two parties: the first provides capital, and the second manages it, promoting shared economic interests (Syarifuddin, Djaenab, & Nuringsih, 2024). The profits and losses are distributed based on a mutual agreement, with the former (capital provider) sharing the profits and the latter (entrepreneur) absorbing the losses, reinforcing the risk-sharing principle inherent in Islamic finance (Safa'ah *et al.*, 2024).

In Islamic finance, Mudarabah is a well-established tool due to its alignment with ethical principles and its promotion of economic development. It has a significant impact on industrial production (Bougatef, Nakhli, & Mnari, 2020). Its unique structure encourages entrepreneurial ventures by involving parties with different resources. This arrangement is especially valued for its potential to drive sustainable growth, offering a viable alternative to conventional interest-based systems within the framework of *Shariah*-compliant finance (Iqbal & Mirakhor, 2011; Usmani, 2002). Mudarabah can stimulate the real economy by creating stable, inflation-free financial systems sustained by both investors and entrepreneurs (Ascarya, 2009). Significant income and wealth distribution has been committed through social justice and welfare to achieve economic objectives and support the profit-and-loss-sharing model, as developed by Chapra (1996).

Furthermore, profit-loss sharing (PLS) financing has become one of the unique characteristics of Islamic finance because of its contribution to increasing community economic activities. PLS financing encourages economic growth through industrial development (Bougatef, Nakhli, & Mnari, 2020) and the creation of new entrepreneurs (Afkar, 2017). In this context, Chowdhury, Akbar, and Shoyeb (2018) confirm that, for Islamic banking to have a greater economic impact, partnership contracts must be further promoted.

Based on the data analysis, experts validated the relevance and applicability of the Mudarabah contract within the Comorian context and highlighted its potential to alleviate the challenges faced by female entrepreneurs. Furthermore, the semi-structured interviews and focus group discussions with experts reinforced this opinion, confirming that such contracts are not only theoretically viable but also may resonate with the local community.

“...for me, in my opinion using *Zakat* and *waqf* fund with Mudarabah and Qard contract is a good start, considering you want to introduce those Islamic finance activities in the country...” MF2.

In Sudan, the establishment of the first Islamic bank in 1977 marked the beginning of operations based on profit and loss sharing contracts, as they sought to escape the dominance of the conventional system. Mohsin (2005) confirms that the

Islamic Bank of Sudan invested the funds entrusted to them through Profit and Loss Sharing (PLS) partnerships with borrowers and depositors. The Sudan Islamic Bank (SIB) was a success, as evidenced by the fact that its real paid-up capital increased from 0.6 million to 2 million Sudanese Dinars in less than four years. This increase represented 17% and 30% of the total paid-up capital of 18 commercial banks, both private and national. During that time, the shares were divided between Saudis, Sudanese, and other Muslims in a ratio of 4:4:2, respectively (Shaaeldin & Brown, 1988). Additionally, Murat Çizakça (1996) stated that the third mode of finance in Islamic banks in Sudan is *Mudarabah*. Its practice gained importance in Islamic banks in Sudan starting in 1997, when it increased from 2% in 1996 to 5.4% in 1997, and further to 6.1% in 1998.

The success of the *Mudarabah* contract in Sudan in the late 1990s was driven by increased financial flows and a set of operational strategies that supported its effective implementation. Islamic banks adopted careful project selection processes, ensured regular monitoring of financed activities, and offered basic financial training to entrepreneurs. Further, trust between financiers and entrepreneurs was further reinforced through transparent governance and adherence to *Shari'ah* principles. In Comoros, these practices present useful insights: adapting similar mechanisms such as localized *Mudarabah* funds combined with training and community-based oversight could enhance the accessibility and sustainability of Islamic financing for female entrepreneurs, particularly in underserved regions.

Given the significant features of *Mudarabah*, the validation from experts, and the success of the *Mudarabah* contract in Sudan when establishing their first Islamic bank—where it contributed to its growth—*Mudarabah* offers a viable model for emerging Islamic finance markets like Comoros. Thus, the *Mudarabah* contract could promote economic stability and align with the needs of Comoros' population, particularly entrepreneurs.

### 6.2.3 *Qard Al-Hasan Contract*

According to the data of this research, *qard* contract is suitable and relevant for the proposed model.

“...for me, in my opinion using *Zakat* and *waqf* fund with *Mudarabah* and *Qard* contract is a good start, considering you want to introduce those Islamic finance activities in the country...” MF2.

*Qard al-Hasan* is defined by Ariffin and Adnan (2012) as a virtuous loan given with the condition of returning the principal sum to the owner in the same condition, without any increase, within the stipulated time. In other words, *Qard Hasan* means providing asset ownership to others in need to uplift them, on the condition that the exact amount of such an asset is paid back upon demand or at a mutually agreed-upon time (Selim & Hassan, 2020). As a financial instrument, *qard al-hasan* has the potential to serve society, particularly entrepreneurs. Considering this, *qard al-hasan* tends to be a mechanism that supports social and economic justice as envisioned by Islamic economics (Aderemi & Ishak, 2020). Amin *et al.* (2010) stated that it facilitates access to funds for those in need, thereby improving household welfare and reducing financial burdens. It helps mobilize resources between societies, encourages good deeds, enables the poor to start new market and trade ventures using their skills, expertise, and merits, and removes economic and social biases in society (Junaidi, Lutfiah, & Adnan, 2017).

The potential of *qard al-hasan* has been proven by previous studies, which provided evidence of its economic impact in both developed and developing markets, including Malaysia, Bangladesh, and Indonesia. Sain, Rahman, and Khanam (2013) conducted research in Australia, and Warsame (2009) did so in the UK. The results showed evidence supporting the approval of *Qard al-Hasan* for financing. These studies confirmed that *Qard al-Hasan* contracts can improve the business of SMEs and potentially boost the economy of such societies, especially when addressing the economic conditions of the needy.

*Qard al-hasan* is particularly applicable in the public sector to support communities. It is, therefore, more suitable for small businesses. Ismal (2013) stated that the source of *Qard al-Hasan* financing in the public sector can come from

government or banking budgets through trusted mechanisms. This can be used by socially-oriented individuals or entrepreneurs. It serves as a viable financing alternative for SMEs, particularly those considered "unbankable," by minimizing the risk of non-performing loans (Harahap *et al.*, 2023). Ibrahim and Alenezi (2024) further confirmed that Qard al-Hasan enhances entrepreneurial resilience and sustainable practices, which are crucial for early-stage enterprises that contribute significantly to economic development. The utilization of Qard al-Hasan for charity or social purposes is also very flexible, including helping with household interests, such as school fees, or assisting with the costs of marriage or childbirth (Abidin, Alwi, & Ariffin, 2011).

Aderemi and Ishak (2020) stated that *qard al-hasan* usually involves a simple procedure due to its small nature. The small size feature of *qard al-hasan* often makes the process simple, making it convenient for borrowers and capital contributors due to its local standard (Iqbal & Shafiq, 2015).

Furthermore, the procedures to obtain a *qard* loan are easy and accessible to those in urgent need (Jalil & Rahman, 2010). *qard al-hasan* is practical because it provides financial assistance to individuals and small enterprises without the need for collateral or credit history (Zulkifli *et al.*, 2024). It is a viable option to reduce financial exclusion by extending financing to the poor, especially those who do not have access to any commercial microfinance lending due to a lack of collateral, affordability due to high funding costs, or no credit history (Iqbal & Shafiq, 2015).

Lastly, the use of *qard al-hasan* in the proposed model is purposefully chosen given its alignment with the social objectives of both *zakat* and *waqf*. As a non-interest-bearing contract extended on a charitable basis, *qard al-hasan* promotes financial inclusion without imposing a repayment burden beyond the principal, thereby reflecting the redistributive and welfare-oriented aims of Islamic social finance. This makes it well-suited for supporting female entrepreneurs, who have difficulties accessing to conventional loan.

Therefore, to effectively serve these female entrepreneurs, the committee will initiate several measures such as application procedures, financial literacy workshops, and post-disbursement mentoring to ensure the funds are not only accessible but also

productively utilized. This approach aims to foster sustainable development of their businesses while preserving the integrity of the social funds.

#### **6.2.4 Donation**

Insights from the focus group with experts from Dar al-*Zakat* emphasized that there is always a need for financial assistance within the community. This is why donation is included as the final component of the model, referring to charitable contributions. Experts stated that individuals frequently request donations and highlighted the importance of having a sustainable support system.

“...there is but still there is always more people needing *Zakat*...” DZ1.

Therefore, including donations as a component aims to help women entrepreneurs or others in need. Further, donations align with the principles of Islamic social finance, fostering a more inclusive and supportive system.

#### **6.2.5 Zakat Financing**

Another component of the model is *zakat* financing. In keeping with *Shariah* principles, only the eight *Asnaf* are eligible to receive *zakat*, and any mingling or misappropriation of these funds may raise ethical and legal concerns. To address this, it is important to maintain a transparent and accountable system for tracking and disbursing *zakat*. As emphasized by contemporary Islamic scholars such as Yusuf al-Qaradawi, the precise accounting and proper distribution of *zakat* funds are essential to ensure that the intended beneficiaries receive the assistance they require (Qaradawi, 1999). This means that it is crucial to ensure that the recipients of *zakat* financing in the FFE model fall within the eight *Asnaf*. By adhering to these categories, the principles of *zakat* distribution are sustained, and the ownership of *zakat* money is preserved.

Furthermore, Muslim jurists have extensively debated whether *zakat* funds can be utilized for financing projects or whether the distribution should extend beyond the

immediate needs of the recipients by financing their entrepreneurial activities. On October 13, 1986, during its third round of discussions, the Fiqh Academy adopted a resolution stating that there are four different positions on this issue: 1) conditionally permissible, 2) allowed with surplus *zakat*, 3) permissible to the extent of using the portion allotted to *fi sabil Allah* (in the cause of God) only, and 4) total prohibition (Munazi, 2002).

Firstly, there is the view of jurists who believe that *zakat* distribution should be immediate, meaning no investment or financing of *zakat* funds is permissible. Abd al-Fattah (1997) stated that one of the reasons for this belief is that recipients of *zakat* may be confused by the delay. Additionally, in the *Quran*, Allah SWT used the term "li" to refer to the recipients, meaning that the transfer of *zakat* should be direct from the *zakat* fund to the eight asnaf. Therefore, the *zakat* management team has no right to alter this process. The issue of delaying the payment of *zakat* to recipients is another reason why some jurists oppose using *zakat* for financing (Al-Qaradawi, 2006), as delays may lead to harm in case of loss or destruction. Furthermore, the purpose of *zakat* is to address recipients' current needs, not future uses. Thus, they argue that *zakat* should not be used in any income-earning projects.

On the other hand, most jurists disagree with the first argument and believe that *zakat* funds can be spent in favor of the eight asnaf, including the power to finance socio-economic activities that will benefit the recipients. Additionally, using *zakat* money for financing purposes does not violate the concept of *Tamlik* (transfer of ownership to the poor), as the Hanafi school of thought does not consider it a condition for *zakat* distribution.

Consequently, Mahmud and Shah (2009) stated that the majority of contemporary jurists hold it to be permissible provided that:

- i. The ultimate ownership of its return and the capital sum be spent on the recipients,
- ii. Only the surplus fund should be invested, and
- iii. Investment activities should be carried out with extra caution and prudent financial planning to avoid loss to the pool of *zakat* property.

Consequently, the permissibility of using zakat to finance the productive activities of eligible recipients such as small businesses entrepreneurs has been the subject of detailed juristic debate. While classical jurists generally prioritized zakat disbursement for immediate consumption and subsistence (*al-kifāyah al-‘ājilah*), many did not explicitly exclude its use for income-generating activities (*al-kifāyah al-dā’ima*), especially when such use served to lift recipients out of chronic dependency.

Contemporary scholars, including Yusuf al-Qaradawi and institutions such as the International Islamic Fiqh Academy (IIFA), have broadened this interpretation. The IIFA Resolution No. 3/3 (1986) stated that *zakat* may be used to provide tools or capital to poor individuals allowing them to earn a livelihood, provided the beneficiaries fall within the eight *Asnaf* (IIFA, 1986). This view is grounded in the principle of *taḥqīq al-maṣlahah* (realization of welfare), which underpins the *maqāṣid al-sharī‘ah*.

Financing entrepreneurial activity through *zakat* aligns with the preservation of wealth (*ḥifẓ al-māl*) and dignity and transforms temporary relief into sustainable empowerment. Procedurally, such use of *zakat* must adhere to conditions: the recipients must be verified members of the *Asnaf*, funds must be used for lawful trade, and monitoring mechanisms should ensure proper utilization. This jurisprudential foundation strengthens the legitimacy of using *zakat* in the FFE model for Comoros, especially where female entrepreneurs from the *fuqarā’* or *gharimīn* categories can be supported to achieve lasting financial independence.

Ultimately and in accordance with Qur’anic injunctions (Qur’an, 9:60), the FFE model strictly limits the use of *zakat* funds to eligible beneficiaries falling within the eight *Asnaf*. With this context, female entrepreneurs fall under these categories of *fuqara’* (the poor), *masakin* (the needy), or *gharimin* (those in debt), particularly those facing challenges to accessing conventional finance. To ensure compliance, the committee shall incorporate a transparent screening process, income verification, and vulnerability scoring to determine eligibility. In cases where applicants do not clearly fall within any of the eight *Asnaf*, the committee will redirect support through *waqf* if applicable. Thereby maintaining both inclusivity and strict adherence to *Shari’ah* principles.

In brief, the majority of Islamic scholars agree on the validity of using *zakat* funds for the benefit of its recipients. This serves as a means of contributing to alleviating poverty and supporting other *Shariah*-related socio-economic activities. From a *Shariah* perspective, *zakat* can be used for financing purposes, provided that conditions are strictly adhered to. Therefore, in the FFE model, it will be permissible to use *zakat* funds to provide alternative financing to female entrepreneurs in Comoros.

### 6.2.6 *Waqf* Financing

Like *zakat* financing, using *waqf* for financing purposes requires certain conditions to be met to comply with *Shariah* principles. Additionally, the conditions of *waqf* financing, or cash *waqf*, are similar to those of a *waqf* contract. These conditions can be identified as follows:

First, the *Niyah* (intention) is crucial in every act of worship for it to be accepted. When it comes to the giver of the *waqf* or cash *waqf*, they must be mature, wise, and have the liberty to give the *waqf*. Furthermore, ownership is important when giving money or property as *waqf*.

Second, the conditions associated with *waqf* include the offer and acceptance. The *Waqif* (donor) must state the conditions of the *waqf* and its management through the offer, and in this case, the committee must accept these conditions. A *waqf* is formed by *Ijab* (the offer) made by the *Waqif* in any wording that clearly represents its meaning, and *Qaboul* (acceptance) by the *Mawquf 'alaih* (recipient) or their trustee, *Mutawalli* (Allameh Helli, 1997). Sani (1989) explained that for a *waqf* to be valid, the *Waqif* should deliver the cash *waqf* to the *waqf* institution, which complies with the condition of *Hiyazah* (receipt of the *waqf* property). An important element is that the *Waqif* does not need to mention themselves as a *Mawquf 'alaih* in the *waqf* contract. Lastly, the *waqf* contract must be unconditional and perpetual.

It is important to ensure that the property or cash involved can generate profit and remain perpetual. The property or cash should not be used for other purposes, nor should anyone have a claim over it (Helli, 1982). The beneficiaries of the *waqf* must

ensure that the profit generated is lawful by investing in *Shariah*-compliant activities. The beneficiaries must also meet the criteria of being a fully mature and responsible person.

To align this with the FFE Model, it is essential for the committee to comply with the conditions of *waqf* financing mentioned above. Additionally, committee members must be capable of managing the *waqf* without significant losses. Being *Ankil* (mature), *Baligh* (accountable), and righteous are additional conditions they must meet. This ensures that *Shariah* risks related to non-compliance are addressed. Thus, the integrity and legitimacy of the FFE model are maintained within Islamic finance standards.

Another *Shariah* element to observe is the potential decrease in funds due to defaults in *qard* contracts in the *waqf* account. Though *qard* is an interest-free loan, there is a risk of non-repayment, which could lead to a reduction in the available funds for financing purposes. To mitigate this, solid risk management frameworks and due diligence processes are necessary. It is critical to include explicit contractual terms outlining the repayment structure for *qard*. Scholars like Nizam Yaquby emphasize the necessity of *Shariah*-compliant contracts and risk-sharing agreements to reduce financial risks (Yaquby, 2008).

Furthermore, it is essential to establish strong governance and monitoring procedures to ensure transparent and responsible fund management. The committee can create standards for effective fund segregation and conduct frequent audits to ensure compliance with these principles. Scholars such as Muhammad Taqi Usmani highlight the importance of thorough monitoring to maintain honesty in Islamic financial transactions (Usmani M., 2002).

In the same context, contracts and agreements for *qard* should be carefully designed to clearly define the terms, conditions, and risk-sharing arrangements. Before disbursing cash, a thorough assessment process should be implemented to evaluate the feasibility of entrepreneurial initiatives and reduce the risk of default. Scholars like Mahmoud A. El-Gamal stress the importance of strong contracts and careful risk assessment in Islamic finance (El-Gamal, 2006).

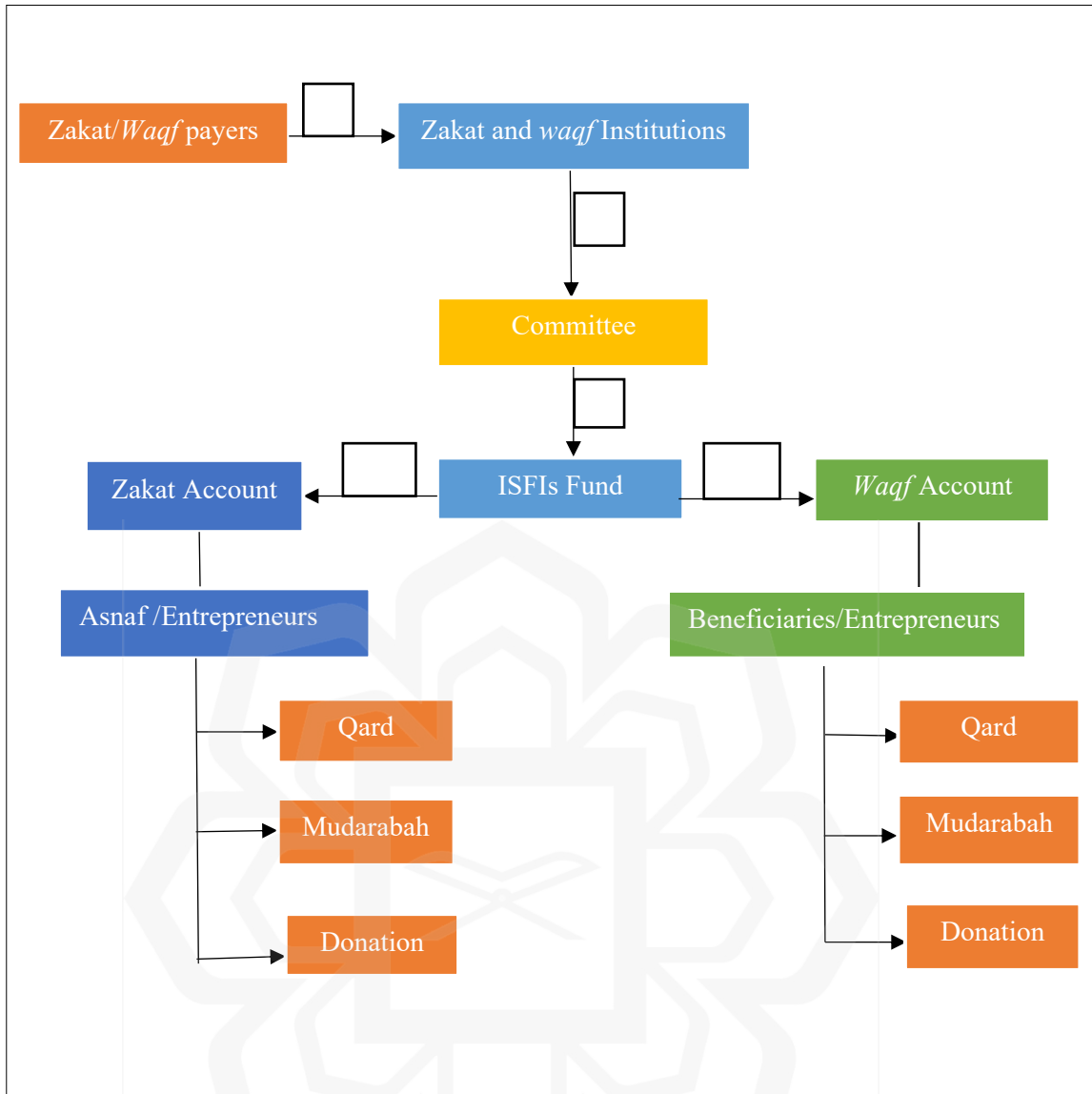


Figure 6. 1 Proposed Financing Female Entrepreneurs (FFE) Model

### Modus Operandi

The figure above shows the proposed model by the researcher to finance female entrepreneurs in Comoros using *zakat* and *waqf*.

1. **Individuals** will pay *zakat* and *waqf* to the institutions responsible for collecting these funds in the country.
2. A **committee**, consisting of members with expertise in *Shariah* law, financial management, legal and regulatory knowledge, and social and

economic development, shall be appointed by the *zakat* and *waqf* institutions to oversee these financing activities.

3. The ***zakat* and *waqf* funds** will be managed by the committee. Two separate accounts—namely, the *zakat* account and the *waqf* account—shall be established to segregate the funds for financing.
4. In the ***zakat* account**, entrepreneurs will submit their financing applications to the committee. The committee will review each application to assess whether the applicant falls under the appropriate category. Once assessed, the committee will select the appropriate *Shariah*-compliant contract based on the applicant's needs and eligibility. Necessary documents, including the financing contract, terms of repayment (for *qard al-hasan*), and responsibilities, will then be prepared. Entrepreneurs will sign the documents, and the funds will be disbursed to the entrepreneurs. The committee will be entrusted with determining the profit ratio for the *Mudarabah* contract, taking into account the market and the nature of the work. For **donation purposes**, pure charity will be given to the recipient of *zakat* to assist women financially.
5. Similarly, in the ***waqf* account**, entrepreneurs will submit their financing applications to the committee. The committee will review each application to assess whether the applicant falls under the appropriate category. Once assessed, the committee will select the appropriate *Shariah*-compliant contract based on the applicant's needs and eligibility. Necessary documents, including the financing contract, terms of repayment (for *qard al-hasan*), and responsibilities, will be prepared. Entrepreneurs will sign the documents, and the funds will be disbursed to the entrepreneurs. The committee will again be entrusted with determining the profit ratio for the *Mudarabah* contract, considering the market and the nature of the work. For **donation purposes**, pure charity will be given to the recipient of *zakat* to assist women financially.

### 6.3 DISCUSSIONS OF THE FINDINGS

The discussion of the findings summarizes the key results of the research, aligning them with the research objectives while relating them to existing literature.

The first major finding of this research reveals the challenges faced by female entrepreneurs in Comoros, including collateral requirements, high interest rates, conditions attached to loans, short repayment periods, and limited access to bank loans. This aligns with a 2023 study by the European Investment Fund, which confirmed that female entrepreneurs often face challenges in accessing loans. The study further highlighted that female entrepreneurs face obstacles such as collateral requirements and have less access to bank loans compared to their male counterparts (EIF, 2023). Similarly, Singh and Dash (2021) noted that female-owned businesses often face higher interest rates and more stringent loan conditions, categorizing these challenges as bias and a lack of financial products tailored for female entrepreneurs. The World Bank's Gender Toolkit (2023) also confirmed that female entrepreneurs may face challenges such as being charged higher interest rates and having to meet shorter repayment periods. Furthermore, Abdulla and Albattat (2023) confirmed that challenges faced by female entrepreneurs, including financial issues, lack of knowledge and experience, work-life balance, gender discrimination, sociocultural factors, and lack of government support, have remained largely unchanged over the past 22 years.

The second major finding focuses on the level of application of *zakat* and *waqf* in Comoros. While there is a general awareness of the fundamental roles of *zakat* and *waqf* among Comorians, the research revealed a lack of knowledge regarding their potential contribution to socio-economic development or their role in financing entrepreneurs. Despite this limited awareness, experts in *zakat* and *waqf* in the country are involved in projects aimed at assisting the needy, including initiatives to finance female entrepreneurs through *zakat* and *waqf*. This indicates that *zakat* and *waqf* are primarily used for consumption purposes, focusing on basic collection and distribution to meet immediate needs.

This finding echoes a study by Mukhid (2024), which explored *zakat*, *waqf*, and *sadaqah* in economic development. The study revealed that while these instruments are

recognized, limited public awareness remains a challenge, leading many customers to choose conventional financial institutions. Similarly, in Nigeria, while *zakat* and *waqf* have been proven effective for public finance and poverty alleviation, there is a lack of understanding of their impact on economic development, particularly in rural areas (Wijayanti & Widiastuti, 2020). In Malaysia, Mohammed (2017) confirmed that *zakat* and *waqf* institutions have significant potential to enhance SMEs. However, there is limited awareness and understanding of how these institutions can support entrepreneurial activities.

The findings also indicate that *zakat* and *waqf* hold significant potential as financing tools for female entrepreneurs in Comoros. Experts' opinions and the potential contributions of *zakat* and *waqf* suggest that these tools can indeed be used to finance female entrepreneurs. This aligns with Ali (2002), who confirmed that Islamic social financial tools can improve access to finance for female entrepreneurs in Comoros, alleviating some of the challenges they face. A study using a mixed-method approach explored the role of micro *waqf* banks in empowering female entrepreneurs and found that financing, mentoring, and a joint responsibility system positively impacted the growth of female-owned businesses (Soemitra *et al.*, 2022).

Additionally, various forms of *waqf*, including property, cash, and corporate *waqf*, have the potential to enhance female entrepreneurs by developing physical, financial, and human capital in developing nations (Bello, 2022). It has also been proven that *waqf* can aid women in establishing family-owned businesses in Nigeria by providing interest-free loans, training, and resources, thus alleviating financial and socio-cultural barriers to entrepreneurship (Muhammad *et al.*, 2024). Syahira (2024) similarly asserts that *zakat* and *waqf* have the potential to support female entrepreneurs in establishing and sustaining their businesses, thus contributing to economic empowerment.

Lastly, the research proposed a model using *zakat* and *waqf* financing, incorporating Mudarabah and qard contracts to support female entrepreneurs in Comoros by alleviating the challenges they face. This model aligns with existing frameworks that integrate Islamic social finance instruments to support entrepreneurship and alleviate poverty. For example, Widiastuti *et al.* (2022) proposed

a model that uses *zakat* and *waqf* through a joint scheme to enhance economic resilience and support entrepreneurial activities among disadvantaged communities.

They demonstrated that integrated Islamic social finance is 12% more effective in enriching the poor than non-integrated programs and emphasized the role of Islamic social finance in accelerating the well-being of poor communities.

Similarly, Asfiah *et al.* (2022) proposed a model using Islamic social entrepreneurship principles to support women entrepreneurs during the COVID-19 pandemic, stressing the role of Islamic social finance in fostering resilience and sustainability among female entrepreneurs during challenging times.

#### 6.4 CHAPTER SUMMARY

This chapter presents the Financing Female Entrepreneurs (FFE) model, which utilizes *zakat* and *waqf* financing to support female entrepreneurs in Comoros by addressing the challenges they face. Central to the model is the establishment of an independent committee to oversee and manage the financing process, ensuring transparency, equitable distribution, and compliance with *Shariah* principles.

Drawing from the local context and the potential of Mudarabah and qard contracts, the model integrates these instruments to provide an ethical financial alternative. Additionally, donations are included to offer financial support to those in need, in line with Islamic principles of redistribution.

The chapter further discusses the findings of the research, highlighting their alignment with existing literature. Successful examples from countries such as Malaysia, Nigeria, and Indonesia—which have integrated *zakat* and *waqf* into models that boost entrepreneurship, particularly female-owned businesses—demonstrate the potential of these instruments.

The proposed model reflects the socio-economic context of Comoros, ensuring its relevance and practicality. It aims to be introduced in the country to alleviate challenges faced by female entrepreneurs while contributing to the nation's social development goals.

## CHAPTER SEVEN

### CONCLUSION

#### 7.1 INTRODUCTION

This concluding chapter presents a discussion and conclusion of the overall findings of the research. The chapter begins by highlighting the major findings, organized according to the four objectives of the study. It then explores the implications and limitations of the research. Lastly, the chapter offers recommendations for future researchers and provides a summary of the key points discussed throughout the study.

#### 7.2 SUMMARY OF MAJOR FINDINGS

In this section, the key findings of the research are summarized, providing an understanding of the challenges faced by female entrepreneurs in Comoros, the current application of *zakat* and *waqf* in the country, and the potential of *zakat* and *waqf* as financing tools for female entrepreneurs. The section also discusses the proposed model aimed at supporting female entrepreneurs by alleviating the challenges they face. A qualitative research method was specifically chosen to achieve these objectives. Below is a summary of the findings for each research objective:

##### 7.2.1 Objective 1:

The first objective of this research was: “To analyse the challenges faced by female entrepreneurs in the conventional system in Comoros.”

Female entrepreneurs in Comoros face significant barriers within the conventional financial system, which often leaves them excluded from accessing loans or financing opportunities. Given the crucial role those female entrepreneurs play in the economy, particularly through small businesses that contribute to economic productivity, it is essential to identify solutions that could alleviate these challenges.

This research proposes an alternative solution that aligns with *Shariah* principles to support female entrepreneurs.

To fulfil this objective, structured interviews were conducted with thirty-two female entrepreneurs in Comoros. The findings reveal several key challenges these entrepreneurs face when engaging with the conventional financial system. The primary issues identified include:

- **Collateral Requirements:** Banks typically demand land or gold as collateral. Female entrepreneurs, however, are reluctant to use these assets for fear of losing their sources of income.
- **High Interest Rates:** Many women operating small businesses find the interest rates charged by banks to be prohibitively high, discouraging them from seeking loans.
- **Nature of Business:** Most female entrepreneurs run small, informal, and agriculture-based businesses, which make them less appealing to traditional financial institutions.
- **Loan Conditions:** The complex conditions attached to bank loans, such as collateral requirements, high-interest rates, and other eligibility criteria, further discourage entrepreneurs from pursuing loans.
- **Short Repayment Periods:** Banks often impose short repayment periods, putting significant pressure on female entrepreneurs to prioritize other sources of finance.

As a result of these challenges, female entrepreneurs often turn to alternative funding sources, such as friends and family, which are insufficient for sustaining their businesses. A small minority have managed to secure loans from banks, but even those who have encountered delays in the loan process and dissatisfaction with the collateral and interest rate conditions. Furthermore, there is a general perception among female entrepreneurs that banks favor larger enterprises over small and medium-sized

businesses (SMEs), leading 21 out of the 32 interviewees to avoid approaching banks altogether.

When comparing these findings to existing literature, there is a clear alignment on certain issues, such as collateral requirements, high-interest rates, the nature of businesses, and loan conditions as barriers for female entrepreneurs. However, the issue of gender inequality and discrimination, often highlighted in the literature, was not raised by the female entrepreneurs interviewed. This suggests that while gender discrimination might be a challenge in other contexts, it may not be as prominent or perceived in Comoros. Additionally, challenges such as financial illiteracy and credit rationing, which were noted in the literature review, were not mentioned by the interviewees. This discrepancy indicates that while these challenges are important globally, they are not as pressing for female entrepreneurs in Comoros compared to other issues, such as collateral requirements and loan conditions.

Through this analysis, the first research objective was achieved, confirming the challenges faced by female entrepreneurs in accessing conventional financing in Comoros. Following this, the research also explored a potential solution to alleviate these challenges by examining the level of *zakat* and *waqf* application in the country.

### **7.2.2 Objective 2:**

The second objective of this research is: “To examine the level of application of *zakat* and *waqf* in Comoros.”

Islamic social finance plays a significant role in Comoros, especially through *zakat* and *waqf*, which are deeply embedded in the country’s Muslim-majority context. The semi-structured interviews and focus group discussions with experts in Comoros revealed that while *zakat* and *waqf* are widely recognized, their potential to contribute to socio-economic development remains largely unknown.

While the population is generally aware of the basic religious definitions of *zakat* and *waqf*, the findings of this research indicate that there is a limited understanding of how these mechanisms can be leveraged for sustainable development

and poverty alleviation. In other words, while Comorians are familiar with *zakat* and *waqf*, they do not fully comprehend their potential as financing tools for entrepreneurship. This lack of understanding was emphasized by the experts during interviews and was also confirmed by the female entrepreneurs interviewed. Although these entrepreneurs were familiar with *zakat* and *waqf*, they were unaware of how these instruments could be used to support businesses.

Experts highlighted the presence of established institutions responsible for managing *zakat* and *waqf* in Comoros. For *zakat*, two key institutions are responsible for its collection and distribution. The first is Dar al-Zakat, an independent entity that collects *zakat* manually, raises awareness, and distributes funds. Dar al-Zakat's leadership in awareness campaigns is primarily through media outreach and organized events. Additionally, there is an agency within the Ministry of Finance that oversees *zakat* collection, awareness efforts, and distribution, with funds deposited into an account at the central bank.

Regarding *waqf*, its management is largely under the jurisdiction of the Kadi (Islamic judges) in each region, as well as the Department of Islamic Affairs. However, *waqf* management in Comoros is often handled informally, with families appointing trustees to manage the assets. While these institutions are recognized in Comoros, the application of *zakat* and *waqf* tends to focus primarily on meeting immediate, basic needs rather than fostering long-term economic development. As a result, the distribution of *zakat* and *waqf* funds typically addresses immediate needs such as food, healthcare, and support for widows and orphans, rather than being directed toward economic empowerment or entrepreneurship.

### **7.2.3 Objective 3:**

The third objective of this research is: “To explore *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros.”

The main goal of this objective was to explore the accessibility, suitability, applicability, and availability of *zakat* and *waqf* as financing tools for female

entrepreneurs. The findings suggest that *zakat* and *waqf* have significant potential to alleviate the challenges faced by female entrepreneurs in Comoros while adhering to their religious values.

As highlighted in the literature review, *zakat* is recognized as an effective financing tool, particularly for female entrepreneurs. Experts in Islamic social finance in Comoros shared during interviews that *zakat* could be a valuable resource for supporting female entrepreneurs in small businesses, particularly in the agriculture sector. *Waqf*, on the other hand, provides the advantage of generating income over time, making it a well-suited tool for supporting female entrepreneurship in the country. The interviews with both experts and entrepreneurs revealed strong support for using *zakat* and *waqf*, emphasizing the importance of these tools in alleviating challenges such as high interest rates, collateral requirements, and other barriers in conventional financing systems. Entrepreneurs expressed a clear preference for a financing model based on Islamic principles, seeing it as a better alternative to address the challenges they face.

The management of *zakat* and *waqf* in Comoros further supports their potential as financing tools for female entrepreneurs. The concentration of Islamic social finance institutions and their effectiveness in administration create a conducive environment for using *zakat* and *waqf* to support entrepreneurship. However, interviews with experts also indicated the need for improved management practices to fully unlock the potential of these resources, particularly in the realm of entrepreneurship. Experts stressed that effective governance and management practices could transform these instruments into sustainable sources of financing for small businesses, thus maximizing their impact on the socio-economic development of the country.

In summary, *zakat* and *waqf* in Comoros have the potential to serve as alternative financing tools for female entrepreneurs, especially those in the agriculture sector. Proper management of these tools will provide a *Shariah*-compliant financing alternative and offer crucial support for empowering female entrepreneurs in the country.

Experts acknowledged the abundance of *waqf* assets in Comoros, including land and monetary contributions, but emphasized the need to utilize them for productive

purposes. This insight aligns with existing literature, which shows that Islamic social finance instruments, including *zakat* and *waqf*, are effective tools for financing socio-economic activities and achieving sustainable results. In the context of Comoros, experts confirmed that *zakat* and *waqf* hold significant potential to contribute to the country's socio-economic development, particularly by financing female entrepreneurs. However, their contribution to economic development is still in its early stages, necessitating a structured approach to fully realize their potential.

This research contributes to this goal by developing a new model aimed at improving the management of *zakat* and *waqf*. The proposed model is designed to enhance the role of these instruments in providing *Shariah*-compliant financing options, thereby contributing more effectively to the empowerment of female entrepreneurs. Furthermore, the model aims to raise awareness among Comorians about the potential of *zakat* and *waqf* to contribute to socio-economic development.

#### **7.2.4 Objective 4**

The last objective of this research is: “To propose a model to finance female entrepreneurs in Comoros using *zakat* and *waqf*.”

After identifying the challenges faced by female entrepreneurs in the conventional financial system, exploring the level of application of *zakat* and *waqf* in Comoros, and examining their potential to finance entrepreneurs, this research aims to propose a model for financing female entrepreneurs using *zakat* and *waqf* with *Shariah*-compliant contracts.

Female entrepreneurs expressed strong support for introducing a new financing model that could alleviate the challenges they currently face within the conventional system in Comoros. Although they may not fully understand the intricacies of *Shariah*-compliant financing, they believe that this alternative can help address their financial struggles and provide a financing system aligned with their religious values.

Additionally, during the semi-structured interviews and focus group discussions, experts showed significant interest and support for the implementation of this model. They recognized its potential to fulfill the country's need for innovative financing solutions while contributing to economic development in line with Islamic principles. Many experts also shared plans for potential projects aimed at introducing financing opportunities through *zakat* and *waqf*, and they considered the proposed model as a viable tool to help achieve these initiatives by integrating Islamic social finance instruments with the needs of female entrepreneurs.

Experts also affirmed that introducing this model in Comoros using *zakat* and *waqf* with Mudarabah and qard contracts is achievable. They emphasized that such a model would effectively support the growth and empowerment of female entrepreneurs in the country.

The insights gathered from both experts and female entrepreneurs strongly validate the core objective of the proposed model. The challenges highlighted by female entrepreneurs align with the key elements of the model, which is designed to address these challenges using *zakat* and *waqf*, along with Mudarabah and qard contracts. The emphasis on the need for *Shariah*-compliant financing alternatives, as expressed by the interviewees, underscores the relevance of the model's focus on providing ethical, interest-free financing.

### **7.3 IMPLICATIONS OF THE RESEARCH**

The implications of this research extend beyond its findings, offering new perspectives that could lead to meaningful changes and shed light on unexplored aspects. In the following sub-sections, the implications of the research for regulatory authorities, entrepreneurs, and the government are thoroughly discussed.

### 7.3.1 Implications to the Regulatory Authorities

Regulatory authorities play a vital role in ensuring that policies and practices align with legal and ethical standards. In the context of Islamic social finance, their primary objective should be to create a supportive environment that ensures equitable access to financial resources, particularly for female entrepreneurs. The implications of this research for regulatory authorities, including the Kadi, suggest that the proposed model could offer valuable insights for interpreting and applying *Shariah* principles in response to the current challenges faced by female entrepreneurs within the conventional financial system.

This research highlights the potential role of *zakat* and *waqf*, which could guide the Kadi in issuing more legal opinions to support the development of *Shariah*-compliant financial products and services that cater to the practical needs of entrepreneurs.

Additionally, the findings of this research could assist the Central Bank in formulating regulatory policies that ease the integration of Islamic social finance into the existing financial system. The central bank could use this research to assess the feasibility and potential impact of *zakat* and *waqf* on financial stability and inclusion. Consequently, it could implement policies that ensure the stability of Islamic social finance institutions while promoting access to finance for entrepreneurs, particularly women. These policies might include guidelines for product development, risk management, and consumer protection.

For Islamic social finance institutions and other financial entities, this research offers valuable insights into offering financial products tailored to the needs of entrepreneurs in the informal sector. It can also enhance their understanding of the unique challenges faced by female entrepreneurs in Comoros, encouraging them to diversify their offerings by incorporating *Shariah*-compliant alternatives. Moreover, this research could encourage collaboration among financial institutions, regulatory authorities, and other stakeholders to integrate ethical and religious obligations into the financial ecosystem, fostering the growth and sustainability of entrepreneurship in Comoros.

### **7.3.2 Implications to Entrepreneurs**

The implications of this research for female entrepreneurs in Comoros are profound, particularly in enhancing their access to *Shariah*-compliant financial resources. The research focuses on offering financial products that align with Islamic principles while addressing the specific challenges faced by female entrepreneurs in Comoros. This could lead to the development of more *Shariah*-compliant financial instruments that provide affordable and accessible funding options. By offering these alternatives, female entrepreneurs would be able to overcome the common barriers of high interest rates and collateral requirements that typically restrict their access to loans.

Additionally, the findings of this research could help increase the financial literacy and understanding of Islamic finance, particularly Islamic social finance, among female entrepreneurs. This knowledge would enable them to make more informed decisions that align with both their business needs and religious beliefs. Such awareness could significantly boost their confidence in managing and leading their businesses, ultimately contributing to a more vibrant and diversified entrepreneurial landscape in Comoros.

Finally, this research could have broader socio-economic implications for female entrepreneurs. It would empower them to excel in their businesses, generate employment, and contribute significantly to the country's economic development. The success of female entrepreneurs in Comoros could inspire more women to pursue entrepreneurship, thereby strengthening the role of women in the economy and society at large.

### **7.3.3 Implications to the Government**

The government plays a crucial role in establishing a regulatory framework that supports financial inclusion and economic empowerment. The implications of this research for the government are significant in several ways. By promoting *Shariah*-compliant financing alternatives, the government can support financial inclusion for

female entrepreneurs, particularly those facing challenges in the conventional system. This approach could lead to a more diversified and resilient economy.

Moreover, adopting the proposed model would help align the country's financial system with the values and expectations of its Muslim population, strengthening public trust in the government. Supporting interest-free financing would also contribute to reducing income inequality and alleviating challenges related to high-interest rates, promoting a more stable and just society.

Another important implication is the need for the government to collaborate closely with religious authorities, the central bank, and Islamic social institutions to ensure that *Shariah*-compliant financing activities align with both Islamic principles and national economic objectives. Successfully integrating *Shariah*-compliant financing in Comoros could position the country as a model for using Islamic social finance to drive economic development, potentially fostering increased cooperation and investment with other nations.

#### **7.4 LIMITATIONS OF THE RESEARCH**

The limitations of this research highlight the areas where its scope is restricted. First, the research focuses solely on addressing the challenges faced by female entrepreneurs in Comoros. As a result, the challenges faced by male entrepreneurs were not considered. Excluding one gender limits the generalizability of the findings, meaning the results are specific to female entrepreneurs in Comoros. The purpose of this research is to provide *Shariah*-compliant alternatives that specifically address the challenges faced by female entrepreneurs in the conventional system. These solutions may not be applicable to male entrepreneurs, as their challenges and needs might differ and warrant separate investigation.

Additionally, the research focuses only on small businesses in the agriculture sector within the informal sector, even though there are a variety of business types and sizes in Comoros. The primary aim of the study is to address the unique challenges and financing needs of these specific businesses. While other sectors are important, they fall

outside the scope of this research. This limitation reduces the depth of exploration regarding *zakat* and *waqf* in supporting female entrepreneurs across different business contexts.

Moreover, the research examines the potential of Islamic social finance instruments such as *zakat* and *waqf* using *qard* and *Mudarabah* contracts to alleviate the challenges faced by female entrepreneurs. However, other instruments, such as *Musharakah* and *Murabahah*, which might be more relevant or complementary in addressing these challenges, have not been explored in detail. The exclusion of these instruments means that alternative solutions may not have been fully considered, potentially limiting the scope of the research's recommendations.

Lastly, this research is limited to the socio-economic and cultural context of Comoros. Therefore, the findings may not be applicable to countries with different economic environments, legal frameworks, or cultural norms. This limitation restricts the applicability of the proposed model in other regions.

## **7.5 RECOMMENDATIONS FOR FUTURE RESEARCH**

In this section, recommendations for future research are discussed, aiming to address gaps or raise new questions that emerged from this study. These recommendations can guide future researchers in further developing the existing literature and enhancing the understanding of Islamic social finance's potential in addressing the challenges faced by female entrepreneurs.

Since this research predominantly used qualitative analysis, it is suggested that future studies explore this topic using quantitative methods. For instance, researchers could apply econometric models to analyze the impact of *zakat* and *waqf* on macroeconomic indicators such as GDP growth or employment rates. This would provide data-driven insights and a more comprehensive understanding of the broader economic effects of these instruments.

Additionally, comparative research could prove valuable. Future studies could compare the effectiveness of Islamic social finance with conventional finance in similar socio-economic contexts. Such comparisons would provide deeper insights into the strengths and limitations of both systems, contributing to a better understanding of how Islamic social finance can serve as a viable alternative.

Furthermore, Islamic social finance instruments should be explored beyond their traditional applications. Future researchers could investigate the integration of technology, such as blockchain, to enhance transparency and trust in financial transactions. Specifically, exploring how blockchain can be used in crowdfunding platforms aimed at social impact in Comoros could be a promising area for future studies.

There is also a need for more extensive research on the role of Islamic social finance in supporting a wider variety of entrepreneurs and business types in Comoros. Researchers could examine how these instruments can address the financial challenges faced by entrepreneurs in sectors beyond agriculture, such as technology, services, or manufacturing.

Another avenue for future research could focus on the practical implementation and long-term impact of the proposed model. Researchers could investigate the challenges related to governance, sustainability, and the effectiveness of fund distribution. Additionally, exploring the socio-cultural factors that might affect the implementation of the model among female entrepreneurs could provide valuable insights into potential barriers and enablers for success.

## **7.6 CHAPTER SUMMARY**

This chapter provides a detailed overview of the research findings, organized according to the research objectives. It begins by summarizing how each objective was achieved through qualitative research, highlighting key findings, and offering an in-depth look at how *zakat* and *waqf* can serve as effective *Shariah*-compliant alternatives to alleviate the challenges faced by female entrepreneurs in Comoros.

The findings reveal that female entrepreneurs in Comoros face significant challenges, including high interest rates, strict loan conditions, and collateral requirements, which limit their access to financing. While *zakat* and *waqf* are familiar within the country, their potential as financing tools remains largely unknown. The proposed model in this research aims to leverage these instruments to provide accessible, *Shariah*-compliant financial alternatives that can help alleviate the challenges faced by these entrepreneurs.

The research also discusses the implications for regulatory authorities, female entrepreneurs, and the government. Regulatory authorities are encouraged to consider integrating Islamic finance into the existing financial framework to better support female entrepreneurs. The findings offer a clear opportunity for female entrepreneurs to utilize *Shariah*-compliant financial alternatives that can reduce barriers to affordable funding. For the government, supporting this initiative aligns with the national vision for economic growth, particularly benefiting female entrepreneurs in the agricultural sector.

Acknowledging the limitations of the study, it is noted that the research focused exclusively on female entrepreneurs in the informal sector in Comoros, excluding male entrepreneurs and other types of businesses. Furthermore, the research concentrated on *zakat* and *waqf*, while other Islamic finance instruments such as Musharakah and Murabahah were not explored but may also have relevant applications for entrepreneurs in Comoros. Additionally, the applicability of the proposed model may be limited to countries with similar socio-economic and cultural contexts.

Finally, the chapter offers recommendations for future research. Future researchers could explore this topic using quantitative analysis, such as examining the impact of *zakat* and *waqf* on macroeconomic indicators like GDP growth and employment rates. Another suggestion is to investigate how Islamic social finance can be integrated with technology to enhance transparency and trust in financial transactions. Additionally, more research is encouraged on the role of Islamic social finance in supporting a wider range of entrepreneurs and business types in Comoros. Lastly, future studies could further explore the practical implementation and

sustainability of the proposed model, including the governance challenges and effectiveness of fund distribution.

These recommendations aim to guide future researchers in expanding upon the findings of this research, deepening the understanding of Islamic social finance's potential to support entrepreneurship and economic development in Comoros.



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## APPENDIX A

### EXPERTS' VALIDATION OF THE INSTRUMENTS

#### The first draft questions for the structured interviews and focus groups

Title: Islamic Social Finance Instruments as Financing Mechanism for Female Entrepreneurs in Comoros: An Exploratory Study

To fulfil the objectives of this PhD research, the researcher will collect data in the field of work by conducting a face-to-face audio recorded interviews and focus groups.

The objectives of the research together with interview questions are as follow:

To analyse the challenges that is faced by female entrepreneurs in the conventional system in Comoros.

To fulfil the above-mentioned objective, structured interviews will be conducted by the researcher with thirty-two female entrepreneurs. The questions of the structured interviews are as follow:

- b. How long have you been an entrepreneur?
- c. What kind of work do you do?
- d. Do you have any employees?
- e. Is your financing from an external or internal source?
- f. As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?
- g. If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

The choice of structured interview is considered because to achieve the first objective, precise answers are required.

The second and the third objectives of this research are:

To examine the level of application of *zakat* and *waqf* in Comoros and to explore *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros.

To achieve these objectives, three focus groups will be conducted by the researcher with Two experts in the higher rank in the ministry of finance, two experts in Dar-al-*Zakat* including the director, and two experts in the highest rank in the Islamic affairs department of Comoros. Lastly, a semi-structured interview One Kadi of the city.

In total, seven experts of *zakat* and *waqf* from the government will be interviewed in order to achieve these objectives.

The focus groups and the semi structured interview questions will be but not limited to as follow:

- a. How is the *Zakat* System in Comoros?
- b. How is the *waqf* system in Comoros?
- c. Is there any significant contribution of *waqf* and/or *Zakat* in the country?
- d. How is the management of *zakat/Waqf* in the country?
- e. Is there any law or legal documents stating that the government is supporting the existence of *Zakat* and *waqf* in the country?
- f. What are the challenges that you encounter in the management of *Zakat* and *Awqaf*?
- g. What do you think about introducing a model that will finance entrepreneurs using Islamic social finance instruments?

Semi-structured interview and the focus group were chosen because to achieve these objectives, researcher need to obtain adequate information on the specific area of interest of interviewees. Further, it will provide detailed and nuanced responses.

The last objective of this research is to propose a framework to finance female entrepreneurs in Comoros using Islamic social finance instruments. This objective will be achieved by analysing the outcome of the two types of interviews that have been done by the researcher. In other words, Framework will be proposed by the researcher based on the need of entrepreneurs to help them alleviate the challenges that they are facing in the conventional system and the availability of the resources and the level of application of Islamic social finance in Comoros.

## **APPENDIX B**

### **FINAL APPROVED VERSION OF THE RESEARCH INSTRUMENT**

Research Title: Islamic Social Finance Instruments as Financing Mechanism For Female Entrepreneurs In Comoros: An Exploratory Study

#### **I. Introduction:**

To fulfil the objectives of this PhD research, the researcher will collect data in the field of work by conducting face-to-face audio recorded interviews and focus groups. The objectives of the research together with interview questions are as follows:

To analyse the challenges faced by female entrepreneurs in the conventional system in Comoros.

The focus of this research is Female entrepreneurs in the informal sector particularly those working in Agriculture namely: agriculture, forestry, and fishery. According to (Labour Force Survey, 2021) in Comoros, there are 23489 female entrepreneurs working in the agriculture sector. Therefore, to fulfil the above-mentioned objective, structured interviews will be conducted by the researcher with thirty-two Female entrepreneurs.

#### **II. Interview Questions:**

- a. Can you please introduce yourself?
- b. How long have you been an entrepreneur?
- c. What kind of work do you do?
- d. Do you have any employees?
- e. Is your financing from an external or internal source?

Alignment with Research Objective 1:

- f. As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?
- g. Are you aware of Islamic social finance products?

- h. What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?
- i. If they introduce you to an alternative that will alleviate these challenges and at the same time in line with *Shariah* principles, will you welcome it?

The choice of structured interview is considered because to achieve the first objective, precise answers are required. Further, it is to ensure consistency and comparability of data. This will allow the researcher to gather standardized information from entrepreneurs, making it easier to analyse and draw meaningful conclusions from the data.

The second and third objectives of this research are:

To examine the level of application of *zakat* and *waqf* in Comoros and to explore *zakat* and *waqf* as financing tools for female entrepreneurs in Comoros.

To achieve these objectives, three focus groups will be conducted by the researcher with Two experts in the higher rank in the ministry of finance, two experts in *Dar-al-Zakat* including the director, and two experts in the highest rank in the Islamic affairs department of Comoros. Lastly, a semi-structured interview One Kadi of the city. In total, seven experts of *zakat* and *waqf* from the government will be interviewed in order to achieve these objectives.

The interview questions will be but not limited to are as follows:

Background and Expertise:

- a. How is the *Zakat* System in Comoros?
- b. How is the *waqf* system in Comoros?

Alignment with Research Objectives 2 and 3:

- c. Do you think Comorians are aware of the concept and significance of *zakat/Waqf* in the country? and to what extent is *zakat/Waqf* practiced within the local communities?

- d. What are the key factors that influence the awareness and practice of *zakat/Waqf*?
- e. Is there any significant contribution of *waqf* and/or *Zakat* in the country?
- f. How is the management of *zakat/Waqf* in the country?
- g. Is there any law or legal documents stating that the government is supporting the existence of *Zakat* and *waqf* in the country?
- h. What are the challenges that you encounter in the management of *Zakat* and *Awqaf*?
- i. What do you think about introducing a model that will finance entrepreneurs using Islamic social finance instruments?
- j. In the model that I want to propose, I want to use *zakat*, *waqf* and funds to finance entrepreneurs using *qard* and *mudarabah* contracts. What do you think? Do you think it is possible in the country? What about *Shariah* issues?
- k. One of the ideas that I have for the model is to appoint a committee to oversee these activities. What do you think? Is it possible for you as *Zakat/waqf* institution to appoint that committee?

Semi-structured interview and focus groups were chosen because to achieve these objectives, researcher need to obtain adequate information on the specific area of interest of interviewees. Further, it will provide detailed and nuanced responses.

The last objective of this research is to propose a model to finance female entrepreneurs in Comoros using *zakat* and *waqf*. This objective will be achieved by analyzing the outcome of structured interviews, focus groups and the semi-structured interview. In other words, the model will be proposed by the researcher based on the need of entrepreneurs to help them alleviate the challenges that they are facing in the conventional system and the availability of the resources and the level of application of Islamic social finance in Comoros.

## APPENDIX C

### STRUCTURED INTERVIEWS WITH FEMALE ENTREPRENEURS

#### INTERVIEWEE (FE1)

**Researcher:** Salam Anlaikoum! first of all Thank you so much for accepting this interview, it will help me a lot in my research that I just explained to you. So, first before starting, can you please introduce yourself?

**FE1:** Wa Anlaikoum. Salam, you are very welcome, it is my pleasure to help. So, yes, I am a mother of four kids, and I am an entrepreneur.

**Researcher:** How long have you been an entrepreneur?

**FE1:** I have been in this Business with my family for six years now.

**Researcher:** Machaa Allah, so What kind of work do you do?

**FE1:** I have been doing agricultural work. This includes planting bananas, cassava, and any type of traditional food if I got the chance to. At the harvest season, we will sell it to the local market.

**Researcher:** Do you have any employees?

**FE1:** I do not specifically have any employees, however, considering that, it is only me and my husband. We are both invested in the planting and the selling process.

**Researcher:** Is your financing from an external or internal source?

**FE1:** Amm... actually the farm is an inheritance from my parents, as for the money that I bought all the necessary instruments, it's from my husband so it is an internal financing as you explained.

**Researcher:** As an entrepreneur do you find it difficult to access loan from the banks? If yes, what are the challenges that you are facing?

**FE1:** considering the kind of work that we are doing, of course Banks will reject us. I can assure you that we do not even try because we know their requirements. The challenges? It surely every condition that they give such as: collateral and they always ask for land. I definitely cannot take the only land that I have, and it is also my source of income to give for collateral. The interest rate when we are paying would be very high and they can literally take all the profit.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE1:** As a Muslim woman I know about *Zakat*, *Waqf* and *Sadaqah* but I did not know we can use them for financing. I think we need to be included in the financing schemes. We do not want to feel excluded just because we have small businesses.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the same time in line with *Shariah* principles will you welcome it?

**FE1:** Ah, I have never heard about Islamic finance before, so the advantage of that is avoiding Haram income and all. Secondly, if it is a way to alleviate this burden, we will embrace it. And I am sure I can extend the work that I have been doing with my husband for years now.

**Researcher:** That is the end of our session so, thank you so much for your time.

## **INTERVIEWEE (FE2)**

**Researcher:** Can we start?

**FE2:** yes please.

**Researcher:** Bismillah Rahman Rahim, Assalam Anlaikoum wtb. First, I am Asma, and I would like to sincerely thank you for accepting this interview.

**FE2:** Wa Anlaikoum. salam. yeah, no problem.

**Researcher:** Can you please introduce yourself?

**FE2:** I do not think my name is necessary, so, I am an active woman in the society, I do business and I take care of my family.

**Researcher:** So, as I explained to you before, first I would like to know How long have you been an entrepreneur?

**FE2:** my husband and I but especially my husband has been in this for eight years now.

**Researcher:** What kind of work do you do?

**FE2:** we do forestry work where the main activity is selling woods, you people use that to built houses here or use them for other purposes. So, they way it work: I will go with my husband at the farm, he will do the most difficult and important work and then I will help with the minor ones.

**Researcher:** Do you have any employees?

**FE2:** we do. As it is very difficult job, of course my brother in laws (husband's brothers) will help us sometimes (two of them). And when we finish the work and ready to sell, we will take someone who has a truck to drive us and take the wood to the selling points, and he has one kid that help him, I mean the driver. In total we are four that are involved in the whole process, sometimes we can be many if needed but officially four.

**Researcher:** Is your financing from an external or internal source?

**FE2:** We needed some financing to buy materials from abroad so, we borrowed money from a family friend.

**Researcher:** As an entrepreneur do you find it difficult to access loan from the banks? If yes, what are the challenges that you are facing?

**FE2:** from the bank? Yes of course. We even asked the loan from one of the banks, but we got rejected. Even the interest would be too high for us to bear and im sure the plan would also be complicated to understand so, that is why we chose a family friend because it is easy. You take the money and give back at a precise time.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE2:** Based on what you explained, yes I know *Zakat* and *Waqf*. However, using its money for financing, it is new to me. I really did not know that the way Islamic finance is used. Something that will help us to alleviate the challenges that I told you before. We do not want interest and we need something easy to follow.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles will you welcome it?

**FE2:** Islamic alternative? Yes, we will, and I know many of us will appreciate that.

**Researcher:** okay thank you so much.

### **INTERVIEWEE (FE3)**

**Researcher:** Aslam Anlaikoum wtb. I am Asma as you know.

**FE3:** Wa Anlaikoum .salam

**Researcher:** Thank you so much for this, it means a lot for me. So, let's start. Can you please introduce yourself?

**FE3:** As you told me that no need to mention my name and it is not important. I can say that I am a wife, mother, and an entrepreneur. I take care of my family and I work hard to feed them.

**Researcher:** how long have you been an entrepreneur?

**FE3:** oh, it's been long, I mean 10 years now that my family and I are involved in the fishing business.

**Researcher:** What kind of work do you do?

**FE3:** Fishing. Yeah, as I told you it's fishing.

**Researcher:** Do you have any employees?

**FE3:** my Husband and my brother will go fishing and I will be the one who is going to sell the fish in the market, and we share the profit. So, I can say three.

**Researcher:** Is your financing from an external or internal source?

**FE3:** my big sister who is in France send us the money we bought the small boat and the lighting and everything that my husband and my brother use for fishing. So, it is internal.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE3:** I think banks do not even consider people who has small business like us even if it generates money because people eat everyday right? But when you tell them you work as fisher, they do not even look at you. Challenges? I think being in this small business it's a challenge itself. Honestly, they have much more complicated conditions. And you

know people like us illiterate, but we need to provide for our family, we need something simple and easy to understand. However, the banks you pay this much in this month and this much in the next. So complicated.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE3:** you explained to me that it is *Zakat* and *waqf*, so yeah I know. We need a committee to support us and our businesses, people that will not give us conditions but rather understands our needs.

**Researcher:** If you they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE3:** if it's what you are studying? Give us something new because we are tired of this conventional banking. Interest here, collateral there and so many things.

**Researcher:** well, thank you so much for your answers and your time.

#### **INTERVIEWEE (FE4)**

**Researcher:** Assalam Anlaikoum and how are you?

**FE4:** Wa Anlaikoum. salam. Alhamdulillah I am fine. I was just waiting for you.

**Researcher:** Thank you so much. Can you please introduce yourself?

**FE4:** I am a businesswoman, and at the same time I do not forget my obligations as a wife and a mother.

**Researcher:** How long have you been an entrepreneur?

**FE4:** Agriculture is something that we have been doing for years in my family and so many families in Comoros by the way. Because it is one of the main sources of income and feeding families. So, in my case, I have been focusing myself for 9 years now.

**Researcher:** What kind of work do you do?

**FE4:** Agriculture or planting. I do any kind of food like bananas, Cassava, Yam, and many things it depends on the seasons. And at harvest season, I will sell some of my products to friends, family, and at the market. And do not forget because some of it we eat at home.

**Researcher:** Do you have any employees?

**FE4:** it's only me. I mean I go to the farm; I do the work and I sell the products myself. Honestly, sometimes my husband helps and come with me if I need help. So, it is me and my husband.

**Researcher:** Is your financing from an external or internal source?

**FE4:** I did not need any financing. It is because the farm is an inheritance from my parents and the tools that I am using it's my husband that gave them to me. We are still living in a very traditional era here and you know that.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE4:** It is not about finding difficult to access loans but rather the perception that we have towards the conventional banks in this country. Do you know that I do not even have a bank account? They do not consider us. I do not think if I go to the bank now for loans, they will give it to me. Because those banks are for rich people and people who has big businesses. They give people high interest rate. Can you believe that they ask for collateral it's like land and gold. How can I take the only land that I have, to give it for collateral?

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE4:** I know *Zakat* and *waqf* only, but I do not know anything else. Giving us loans without any conditions and make things easy.

**Researcher:** If you they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE4:** of course. I mean that all we need. Probably I may need to enhance the way that I cultivate because it's tiring so, I will need an Islamic financing.

## **INTERVIEWEE (FE5)**

**Researcher:** Asalam Anlaikoum. I am Asma and thank you so much for this opportunity.

**FE5:** Wa Anlaikoum. Salam. You are very welcome.

**Researcher:** can you please introduce yourself?

**FE5:** My name is Umu Anlya. I am a mother and I do agricultural businesses.

**Researcher:** How long have you been an entrepreneur?

**FE5:** I can answer very shortly, no need for details, right?

**Researcher:** Yeah sure, just feel free to answer the way you feel comfortable.

**FE5:** well, I have been involved in this business for 6 years.

**Researcher:** What kind of work do you do?

**FE5:** we do agriculture businesses. In which involved buying the plants (sometimes) and bulb (if necessary), planting and selling process.

**Researcher:** Do you have any employees?

**FE5:** we are three sisters owning the farm. So yeah. We take turn for the planting and the selling process. So, I can say we are three employees in this business.

**Researcher:** Is your financing from an external or internal source?

**FE5:** well, buying the plants and the bulb we sometimes use the profit to buy, for transport also, you know sometimes we need to go to the city to sell our products. For the tools and materials that we use, we also use the profit money. For instance, the newest knife that I use during my work, I bought it recently using my profit money. It's like an investment. It's my money basically.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE5:** it depends on the kind of entrepreneurs. I mean for those big businessmen; I do not think they will find it difficult. However, for us, it is difficult. What happens, it's either they do not give us the loans, or they give us with very short period to repay. They always say they want to make sure we pay on time.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE5:** you said there is *Zakat* and *waqf*. But I do not know about Islamic finance. Give us loan with the minimum of conditions but everything seems difficult. I think it will help everyone.

**Researcher:** If you they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE5:** As an entrepreneur, owning small business, the support that we need it's both financial and newness. We need to leave in this archaic era, and we need to access finance very easily from people who will trust us and the work that we do. If Islamic finance method will alleviate those challenges we will welcome it.

## **INTERVIEWEE (FE6)**

**Researcher:** Assalam Anlaikoum

**FE6:** Wa Alaikumu Salam

**Researcher:** Thank you so much for your time and efforts in doing this. This interview is for the sake of my PhD research as I explained to you.

**FE6:** You are very welcome. It is my pleasure if it will help you and help all of us.

**Researcher:** can you please introduce yourself?

**FE6:** I do business to take care of myself and my family, that what I do.

**Researcher:** How long have you been an entrepreneur?

**FE6:** I asked my husband to take the move to start this business 5 years ago.

**Researcher:** What kind of work do you do?

**FE6:** Fishing.

**Researcher:** ok, do you have any employees?

**FE6:** My husband will go fishing at a night time with his friends and I will sell what my husband brought home. Technically, only 2 of us are involved.

**Researcher:** Is your financing from an external or internal source?

**FE6:** I took a loan from the bank; we bought the small boat and all the necessary instruments and tools.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE6:** When I was in the process of getting a loan, it was very long that I did not even think I would get it, but they called me one day and they told me that I was entitled to the loan. The only difficult thing that I am facing right now is paying the bank because their interest is very high. But Alhamdulillah I am not complaining.

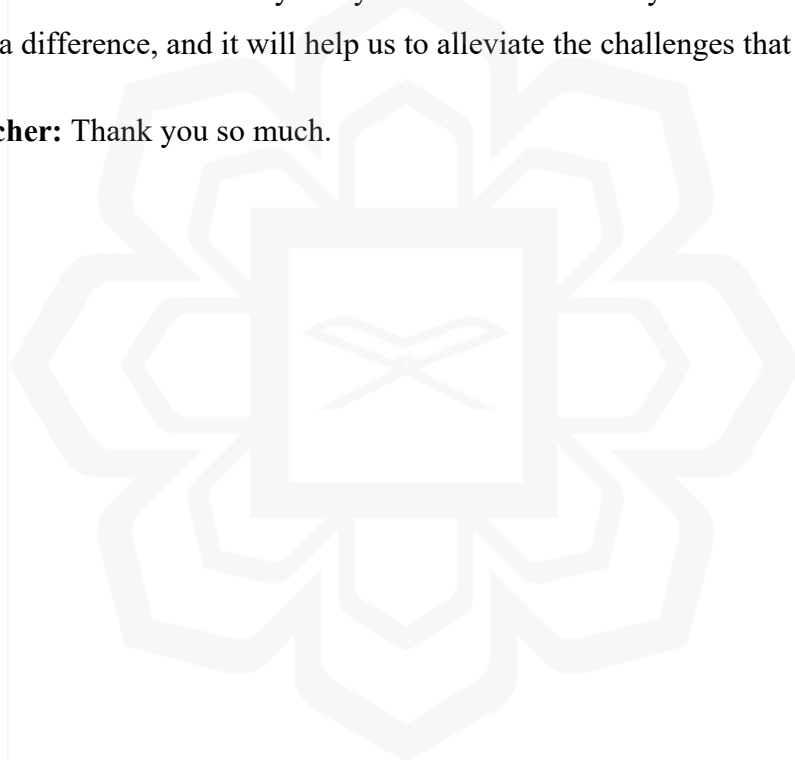
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE6:** you mean the product that is used in Islamic finance? No, I do not know. Something without interest because it is very challenging.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE6:** I really do not know the difference, but the fact that it is an Islamic financing, I believe it will be welcomed by many of us and beside everyone will trust it. I just hope there is a difference, and it will help us to alleviate the challenges that we are facing.

**Researcher:** Thank you so much.



## **INTERVIEWEE (FE7)**

**Researcher:** Assalam Anlaikoum. I am Asma. First, Thank you so much for accepting this interview.

**FE7:** Wa Anlaikoum. salam. Yeah.

**Researcher:** can you please introduce yourself?

**FE7:** yes, I am an entrepreneur and I do Fishing business.

**Researcher:** How long have you been an entrepreneur?

**FE7:** it's only 6 years not many years.

**Researcher:** What kind of work do you do?

**FE7:** Fishing, the main business that I do is fishing.

**Researcher:** Do you have any employees?

**FE7:** no. Only me and my brother. So, if it's counting, we are two.

**Researcher:** Is your financing from an external or internal source?

**FE7:** My brother was doing some personal business and he saved some money, he bought everything that was needed, and he asked to do the business with him by selling and keeping the financial part. Based on what you explained to me it is an internal source of financing.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE7:** one of the main reasons why my brother saved up for the business is because he knew that getting a loan from any bank would be very difficult and challenging. In addition to that he did not want to get involved in any credit payment methods or process. For that, I would say that the challenges are the conditions that go with getting the loan.

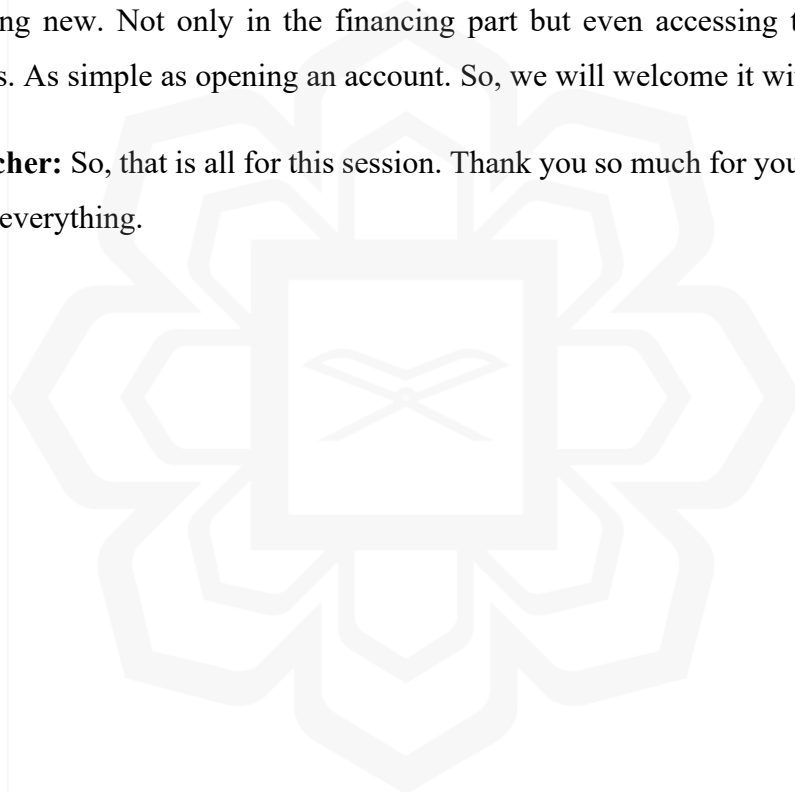
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE7:** if you did not explain to me, I would not know that we can use *Zakat* and *waqf* money for loan. Something new from what we have here.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE7:** I am sure that many of us owning small businesses would tell you that we need something new. Not only in the financing part but even accessing to banking basic products. As simple as opening an account. So, we will welcome it with open Arms.

**Researcher:** So, that is all for this session. Thank you so much for your time and thank you for everything.



## **INTERVIEWEE (FE8)**

**Researcher:** Assalam Anlaikoum and very Good Morning. I really hope this is a good time. For that, Thank you so much for your time and dedication.

**FE8:** Wa Anlaikoum. Salam. You are welcome. No problem at all.

**Researcher:** can you please introduce yourself?

**FE8:** I have many roles. I am a wife, a mother, a sister and business women.

**Researcher:** So, how long have you been an entrepreneur?

**FE8:** Agricultural activities are something that has existed since colonial times. However, our parents used that as source of consumption only, nothing much. We even used to exchange agricultural products with fish not with money, you know? For that, we carry on with that legacy. However, these days all of those changed because we all turn it into businesses. With that, it's been only six years since I have been very involved in this business.

**Researcher:** What kind of work do you do?

**FE8:** Agriculture. I do agriculture.

**Researcher:** Do you have any employees?

**FE8:** Yes, I do. Most of the time those jobs get very complicated so I will call some boys to come and help me and then I pay them but they are not my official employees. It is because I may call different people every month. Considering the work that I do, I always call two people to help. I would say besides me it's two employees.

**Researcher:** Is your financing from an external or internal source?

**FE8:** I remember when I had the idea of starting to invest myself in this, I went to my best friend because I did not want to involve any of my family members. So, I got a loan from her. I bought some materials but now I paid everything Alhamdulillah.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE8:** I am going to say that as someone who is doing agricultural business, it will be very hard to get loan from the bank. Let me tell you why. Those people (Referring to the banks), they only welcomed customers who own big business. As someone owning a small business, they will ask for collateral for instance and you will have to pay back with interest. You, see?

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE8:** yes. I know *Zakat* and *waqf*. If it is related to banking product, I do not know. Support us by introducing a new loan scheme in which we can access loan very easily.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE8:** yes, please bring us something easy and accessible.

**Researcher:** well, thank you so much.

## **INTERVIEWEE (FE9)**

**Researcher:** Assalam Anlaikoum. How are you? I am Asma, and this interview is for my research, so, thank you so much.

**FE9:** Wa Anlaikoum. Salam. alhamdulillah I am fine. I am having some flu but Alhamdulillah.

**Researcher:** ok, Alhamdulillah. Let's start the questions. Can you please introduce yourself?

**FE9:** yes. I consider myself as an active woman. I am a mother, yes, I have three kids. Besides that I have my business.

**Researcher:** How long have you been an entrepreneur?

**FE9:** it's been nine years now.

**Researcher:** What kind of work do you do?

**FE9:** I am in the agriculture industry if I may call it that. I plant fruits and vegetables and then I sell them to the market. The big one at Volo-Volo market.

**Researcher:** Do you have any employees?

**FE9:** we are two sisters and one brother owning this business. I can say three employees.

**Researcher:** Is your financing from an external or internal source?

**FE9:** as you explained to me, I can say that it is internal because three of us contributed and bought everything that we need.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE9:** some do some do not face any challenges. I never try to approach the bank for a loan because I assume that I will not be entitled to it.

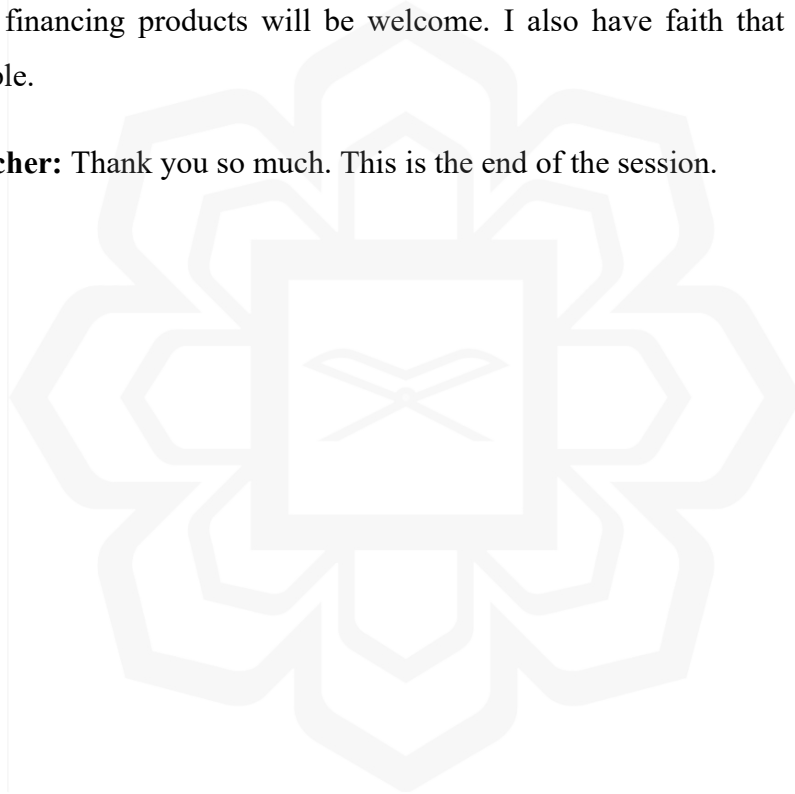
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE9:** I did not know about Islamic finance before. Accessible loan will be appreciated by every small business.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE9:** I am not one of those who use banking products. However, I have faith that any Islamic financing products will be welcome. I also have faith that it will be easily accessible.

**Researcher:** Thank you so much. This is the end of the session.



## **INTERVIEWEE (FE10)**

**Researcher:** Asalam Anlaikoum

**FE10:** Wa Anlaikoum. Salam

**Researcher:** Thank you so much. This will help me to achieve my PhD goal.

**FE10:** You are welcome. No problem let's start.

**Researcher:** can you please introduce yourself?

**FE10:** after all I consider myself as a wife before the business.

**Researcher:** How long have you been an entrepreneur?

**FE10:** ohh, it's been 10 years.

**Researcher:** What kind of work do you do?

**FE10:** Like most of women of this country (slight laughter) I am in Agriculture staffs.

**Researcher:** Do you have any employees?

**FE10:** I hired one person to take care of my farm, this includes farming and planting. So, at harvest time, he will take some of the food for him and his family and I will take some; either for consumption purposes or to sell to people. So, yes, I have one employee.

**Researcher:** Is your financing from an external or internal source?

**FE10:** I did not need any financing. It is because all the materials are for him not me. Secondly the farm is inherited from my parents.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE10:** No. I do not think there will be any problem to get loan from the bank. If I fulfil all their requirements, I will get it. If I don't, I will not and I think it is normal. Right?

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE10:** no, I am not aware of them. I know *Zakat* and *waqf* yes. I think generally funding supports. Yes, entrepreneurs need financial support.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE10:** I think generally, in this country there is a place for everyone. So, I believe whether it's profit wise or not, people will welcome the concept. And besides as a Muslim country I think it will be relevant.



## **INTERVIEWEE (FE11)**

**Researcher:** Salam Anlaikoum, thank you so much for your kindness in accepting this interview. To start, I am Asma, and this is for my PhD research.

**FE11:** Wa Anlaikoum Salam, Anytime, you are welcome.

**Researcher:** so, let's start. Can you please introduce yourself?

**FE11:** sure. I am not stating my name, right? Well. I am a mother, and I am a businesswoman.

**Researcher:** How long have been an entrepreneur?

**FE11:** it's been six years that I started this business.

**Researcher:** What kind of work do you do?

**FE11:** I am in the agriculture business. The products that I have are: bananas, Fruits also but it depends on the season also and other varieties of agricultural products but as I told you, it really depends on the season because some food come according to their seasons.

**Researcher:** Do you have any employees?

**FE11:** Myself. I did not hired people to work for me, however, I may ask help or hire a car to take the products from the farm to the village, but it is not every day.

**Researcher:** Is your financing from an external or internal source?

**FE11:** my husband and I help each other in the financing part. When I started the business, it was our pocket money that we use to buy materials.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE11:** I do not know whether it is difficult or not. However, what I know they do not give us priority as people owning this kind of business.

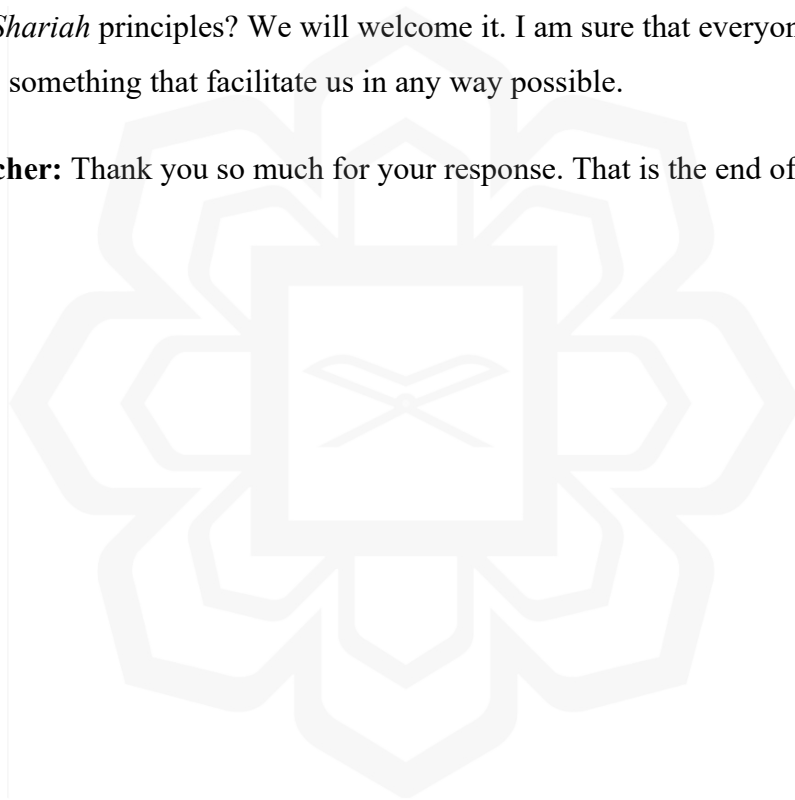
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE11:** *Zakat* and *waqf* are very known for us Muslims. Banking products I do not know. Giving chance to small businesses by giving us loan will definitely improve our businesses.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE11:** *Shariah* principles? We will welcome it. I am sure that everyone will have faith that it is something that facilitate us in any way possible.

**Researcher:** Thank you so much for your response. That is the end of the session.



## **INTERVIEWEE (FE12)**

**Researcher:** Aslam Anlaikoum. I am Asma and thank you so much for your time and efforts for this interview.

**FE12:** Wa Anlaikoum. Salam. You are most welcome. Let's start.

**Researcher:** can you please introduce yourself?

**FE12:** yes. I am a mother, a sister, and a businesswoman.

**Researcher:** How long have you been an entrepreneur?

**FE12:** it's been seven years since I started this business.

**Researcher:** What kind of work do you do?

**FE12:** Agriculture business.

**Researcher:** Do you have any employees?

**FE12:** In this kind of business, you cannot afford to have employees but from time to time you can hire some people to help. If I may count that, so let's say three. Because sometimes I ask someone to help with the planting and sometimes, I ask help to bring my products to the market.

**Researcher:** Is your financing from an external or internal source?

**FE12:** As you explained to me, I did not take a loan from the bank, and I did not borrow. Everything that we are doing is from us to us.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE12:** From what I know, the banks in this country have many requirements when you want to apply for loans. For instance, collateral, yes, it is very popular.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE12:** I am a Muslim, so I know about *Zakat* and *waqf*. Financial support or in other words, to access loan easily.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE12:** As doing this kind of business we are facing several challenges; we would appreciate something that will help us.

**Researcher:** Alright, thank you so much for your time.



## **INTERVIEWEE (FE13)**

**Researcher:** Asalam Anlaikoum. First, thank you so much for your time and contribution of my PhD research.

**FE13:** Wa Anlaikoum. Salam. You are welcome. It is fine we can start.

**Researcher:** can you please introduce yourself?

**FE13:** I am a businesswoman in the agriculture industry.

**Researcher:** How long have you been an entrepreneur?

**FE13:** it's been five years that I am in this business.

**Researcher:** What kind of work do you do?

**FE13:** Agriculture. It's an Agriculture business.

**Researcher:** Do you have any employees?

**FE13:** Me, my husband, and his brother. We help each other.

**Researcher:** Is your financing from an external or internal source?

**FE13:** In this kind of businesses, finding sponsor, loans, and other things related is very complicated. For that, we learn to rely on ourselves, as hard as it can be that is the choice that we have.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE13:** yes of course. Banks always ask for collateral, and those collateral it's the land that we cultivate we get income and to provide for our families. Just for that I do not think I will even bother to approach banks. However, I know rich people and people having large businesses they can get loans easily.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE13:** if you are referring to the banking products. I don't, but, of course I know *Zakat* and *waqf*. Accessible loans for us owning small businesses.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE13:** Yes, we need better alternatives. Something that we will trust and people that will trust us. Islamic finance seems to me that it will be fruitful.

**Researcher:** that's all. Thank you so much.



## **INTERVIEWEE (FE14)**

**Researcher:** Assalam Anlaikoum. I am Asma and thank you so much for this opportunity.

**FE14:** Wa Anlaikoum. Salam. You are welcome.

**Researcher:** can you please introduce yourself?

**FE14:** I own a small fishing business. In this context here I am a businesswoman.

**Researcher:** How long have you been an entrepreneur?

**FE14:** I have been in this business for quite some time now. I mean my husband started and when we got married five years ago, he asked me to join him. So for me, I do all the technical part. I mean the selling and managing our expenses.

**Researcher:** What kind of work do you do?

**FE14:** Fishing. My husband is a fisherman.

**Researcher:** Do you have any employees?

**FE14:** only me and my husband. So, two.

**Researcher:** Is your financing from an external or internal source?

**FE14:** when my husband started the business alone before we got married, his family help him by giving him money to start the business. So, when I joined, we did not need any financing.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE14:** it is not about entrepreneur because some people do not find it difficult to access loan from banks. However, these businesses are side hustle for us in order to feed our families. With that, banks do not trust us as small business.

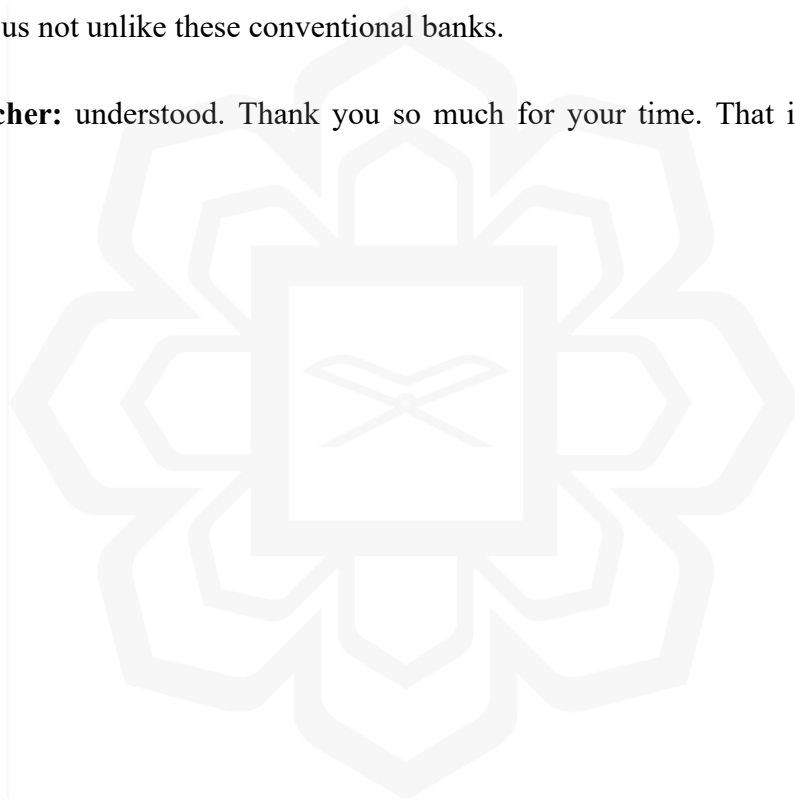
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE14:** I am not familiar with Islamic finance at all. Financial support and accessible loan.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE14:** we generally need support as a small business owner. People that trust us and support us not unlike these conventional banks.

**Researcher:** understood. Thank you so much for your time. That is the end of the session.



## **INTERVIEWEE (FE15)**

**Researcher:** Assalam Anlaikoum. I am Asma and thank you for accepting this , it means a lot to me.

**FE15:** You are most welcome. I hope this will help you. We can start no problem.

**Researcher:** can you please introduce yourself?

**FE15:** yes. I am an entrepreneur. I am in the agriculture business.

**Researcher:** How long have you been an entrepreneur?

**FE15:** 10 years now. I inherited my mother's farm when she died, and I have been doing business while taking care of the family farm.

**Researcher:** What kind of work do you do?

**FE15:** Agriculture or farming.

**Researcher:** Do you have any employees?

**FE15:** yes, I do. Even it is our source of living, I do not have the strength to do farming activities. For that, I hired someone to do that for me. When it is harvesting season, he will give me some and he will take some. It is like I will pay him. So, part of the food that he will bring to me, we will eat in the family and part of it I will sell them in the market. That is how I do my business.

**Researcher:** Is your financing from an external or internal source?

**FE15:** All the money investing in this business is from me.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE15:** we would like to extend our businesses because as I told you this one of the main sources of living that we have. However, we do not have the necessary instruments to do so. The story here is that we cannot get loans from banks to do so because they do not trust us enough and besides we do not have the profiles for that even.

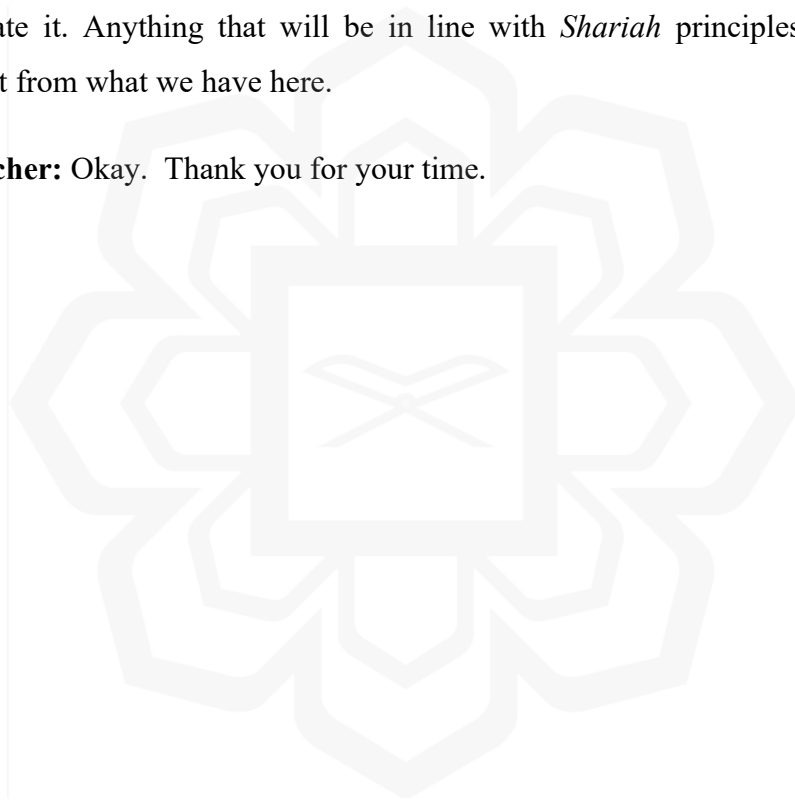
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE15:** is it *Zakat* and *waqf*? Then yes, I know. Something different from interest rate and supporting of small business.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE15:** Anything that will help us to grow and to expend, we will welcome it and appreciate it. Anything that will be in line with *Shariah* principles I believe it be different from what we have here.

**Researcher:** Okay. Thank you for your time.



## **INTERVIEWEE (FE16)**

**Researcher:** Assalam Anlaikoum. I am Asma and I am doing PhD research. First, thank you so much for your time.

**FE16:** Wa Anlaikoum.salam. you are welcome anytime.

**Researcher:** Can you please introduce yourself?

**FE16:** yes. I am woman who chooses to be involved in businesses.

**Researcher:** How long have you been an entrepreneur?

**FE16:** it's been eight years only that I decided to make income out of everything that I am doing.

**Researcher:** What kind of work do you do?

**FE16:** Farming which include the planting and selling my agricultural food.

**Researcher:** Do you have any employees?

**FE16:** Yes, I do. I have three farms and I hired three people to take care of them.

**Researcher:** Is your financing from an external or internal source?

**FE16:** Based on what you explained to me it is internal. Because, you know we are still using traditional materials for farming and everything that I bought it is from my pocket money.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE16:** those banks have many requirements for you to get a loan. I do not think you will find someone doing these small businesses who will tell you that it is easy to get loan from banks. They ask land and gold as collateral. Besides that, interest rest is known to be high.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE16:** which products? *Zakat* and *waqf*? Yes, I am aware of them. I did not know we can use them for business loan. What we need is loan or to access loan easily.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE16:** Definitely, we need change, we need something different, we need something that will help us grow.



## **INTERVIEWEE (FE17)**

**Researcher:** Asalam Anlaikoum. I am Asma. First Thank you so much for accepting this interview. I really appreciate.

**FE17:** You are welcome. We can start no problem.

**Researcher:** can you please introduce yourself?

**FE17:** yes. I do business and I am in my mid-40.

**Researcher:** How long have you been an entrepreneur?

**FE17:** It's been five years. Even though we had the farm since but it's only five years that I understood that I can make a living out of farming.

**Researcher:** What kind of work do you do?

**FE17:** Farming

**Researcher:** Do you have any employees?

**FE17:** Myself and my sisters. Two of them. This is an inherited farm from our dad. We work together, we eat from it, and we make income.

**Researcher:** Is your financing from an external or internal source?

**FE17:** we did not particularly need any financing so, anything that we needed we bought it from our pocket money.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE17:** Banks? I have this idea that banks are for rich people not someone like me. For us, we have our own way of saving our money. If we want loan, we ask friends or family not the bank.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE17:** I am aware of *Zakat* and *waqf* only. An alternative for small business owners where we will not have to face challenges because banks are for big businesses.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE17:** Yes, we feel left out to be honest. And it will help us in the sense that I trust it will include everyone.

**Researcher:** Alright thank you so much. That is all for the interview.



## **INTERVIEWEE (FE18)**

**Researcher:** Asalam Anlaikoum. I am Asma and thank you so much for accepting this interview.

**FE18:** Wa Anlaikoum.Salam. yes, we can start I will be happy to share my experience and my thoughts.

**Researcher:** can you please introduce yourself?

**FE18:** I have a business that I run to take care of my family. Yes I have three children.

**Researcher:** How long have you been an entrepreneur?

**FE18:** it's been ten years. It has not been easy, but it's been ten years alhamdulillah.

**Researcher:** What kind of work do you do?

**FE18:** Agriculture

**Researcher:** Do you have any employees?

**FE18:** only me, I ask help if needed but generally only me. This is my farm and it my source of income. I provide food for my kids and at the same time I make income out of it. In any way, people like us living in the villages, this is our best way to live, feed our families and at the same time make income.

**Researcher:** Is your financing from an external or internal source?

**FE18:** Did we need financing? I do not think we did. The financing that we may need now is to enhance our businesses and to buy new materials.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE18:** ohhh, yes definitely. It is difficult for someone like me to go to the bank for loan. Challenges? The type of business that we are doing it is a challenge by itself.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

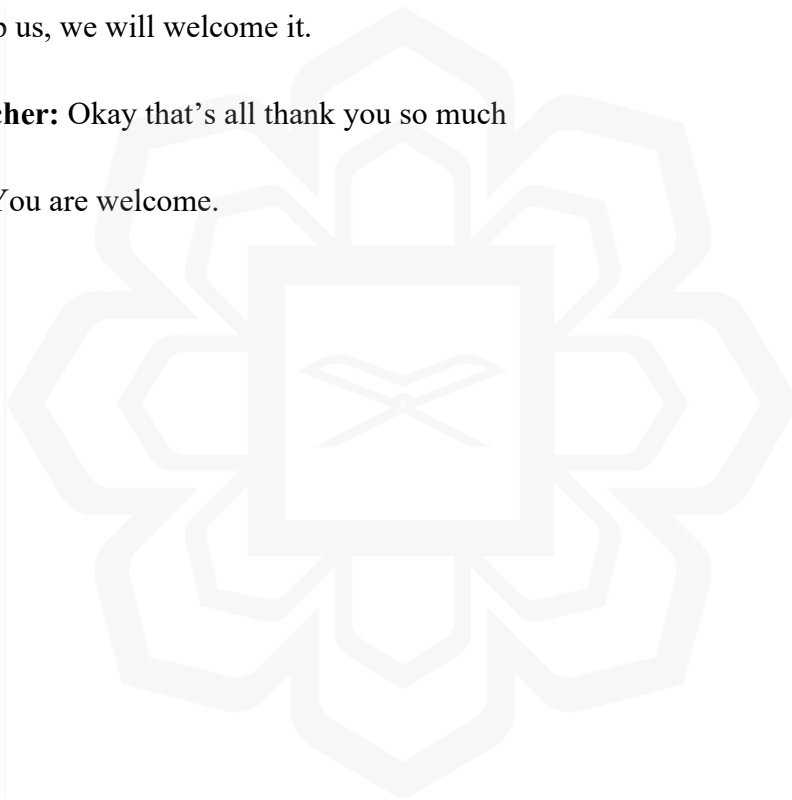
**FE18:** Islamic finance products? No, I don't know. Easy an easy access loan. We would appreciate schemes for us small businesses.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE18:** Yes, as I told you we are facing challenges with banks so, if it's something that will help us, we will welcome it.

**Researcher:** Okay that's all thank you so much

**FE18:** You are welcome.



## **INTERVIEWEE (FE19)**

**Researcher:** Asalam Anlaikoum. Thank you so much for accepting this meeting.

**FE19:** Wa Anlaikoum. Salam. you are welcome anytime. We can start anytime you want.

**Researcher:** can you please introduce yourself?

**FE19:** yes. I do business mainly to take care of my family. I am a mother.

**Researcher:** How long have you been an entrepreneur?

**FE19:** I started farming long time ago, I used to follow my parents because this is something that it started back then, I mean it was the only source that my parents used to provide for us. However, business wise I started lately. As I told you this is a family source of living so, seven years ago, I decided to make an income out of this. Yeah seven.

**Researcher:** What kind of work do you do?

**FE19:** Agriculture, farming, planting and now selling.

**Researcher:** Do you have any employees?

**FE19:** yes, I am getting old I do not have the strength anymore to do that. So, I hired people to do that for me. My part is selling but not everything some. Yes, some.

**Researcher:** Is your financing from an external or internal source?

**FE19:** I borrowed money because when I started, I wanted to be something very serious so, I borrow the money from a family friend. I paid.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

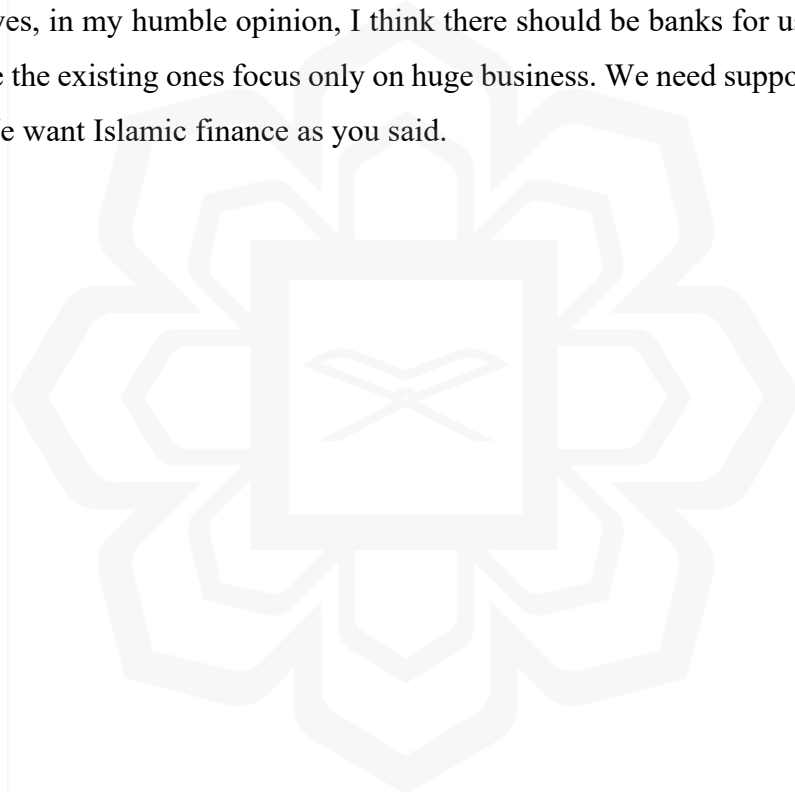
**FE19:** ah, Challenges...you know being a lower income family or business it is a challenge itself. I think the main reason why people avoid banks, is their requirements: collaterals and interest and other things.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE19:** first, I never heard Islamic finance before. I know *Zakat* and *waqf* as instruments but the products I do not know. Financial assistance or loan it's something that we will need to improve our businesses.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE19:** yes, in my humble opinion, I think there should be banks for us small business. Because the existing ones focus only on huge business. We need support, we need to be seen. We want Islamic finance as you said.



## **INTERVIEWEE (FE20)**

**Researcher:** Asalam Anlaikoum. Thank you so much for your time and accepting this interview. I am Asma and as you know, this is for my PhD research.

**FE20:** You are welcome. Any time.

**Researcher:** can you please introduce yourself?

**FE20:** yes. I am a Comorian businesswoman, and I am in the fishing industry.

**Researcher:** How long have you been an entrepreneur?

**FE20:** it's been nine years.

**Researcher:** What kind of work do you do?

**FE20:** Fishing

**Researcher:** Do you have any employees?

**FE20:** My brother goes fishing and I will sell the fish in the market. So, yeah, I am responsible for the technical and financial part.

**Researcher:** Is your financing from an external or internal source?

**FE20:** It is from an internal source. Our siblings in France send us money to start a business and this is what we do. And this is how we take care of our family and being independent.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE20:** as a small business, it is challenging of course. But big businessmen it is not. That's for sure.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE20:** as you know Islamic finance is not in this country, so I think many people including me are not aware of it. The support that we need is accessible loan.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE20:** Yes, we will. I think we need it; we need something that will allow us to use modern materials and thus having a successful business.

**Researcher:** Alright. That's good. Thank you so much for your time.



## **INTERVIEWEE (FE21)**

**Researcher:** Asalam Anlaikoum. Thank you so much for your time and accepting this interview. I am Asma and as you know, this is for my PhD research.

**FE21:** Wa Anlaikoum Salam. you are welcome. We can start right.

**Researcher:** can you please introduce yourself?

**FE21:** I am an entrepreneur I do farming.

**Researcher:** How long have you been an entrepreneur?

**FE21:** Ten years. It's been ten years now.

**Researcher:** What kind of work do you do?

**FE21:** Agriculture, farming.

**Researcher:** Do you have any employees?

**FE21:** Yes, I do. I hired someone to take care of my farm. It includes the planting and the farming itself.

**Researcher:** Is your financing from an external or internal source?

**FE21:** this is like I hired someone to work for me. So, the materials are from him.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE21:** regardless of the job or the tittle, banks ask clients too much especially the collateral. I am going to tell you something, you know: no matter how badly I want a loan, I would never give my land for collateral neither any of my gold and jewellery. So yes, I can confirm that it is very challenging.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE21:** I did not know that we can have loan in an Islamic way. I am not aware of the products. I know *Zakat* and *waqf* for sure. Improvements? We need easy loan to access.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE21:** I really do not know the difference between the two industries. However, I believe that it will be different, and people will have faith and trust on it.

**Researcher:** Thank you. That's all.



## **INTERVIEWEE (FE22)**

**Researcher:** Asalam Anlaikoum. First, I am Asma and thank you so much for your time and everything.

**FE22:** Wa Anlaikoum. Salam. no Problem.

**Researcher:** let's start. So, can you please introduce yourself?

**FE22:** I am a businesswoman. I am involved in the fishing business.

**Researcher:** How long have you been an entrepreneur?

**FE22:** it's been eight years only.

**Researcher:** What kind of work do you do?

**FE22:** I joined my husband into the fishing business. We entrepreneur in that business for eight years now.

**Researcher:** Do you have any employees?

**FE22:** No, we do not. I mean it is only me and my husband. If that's count so two people only. That is our source of income and the source of educating and feeding our kids.

**Researcher:** Is your financing from an external or internal source?

**FE22:** internal. Money from family and we just decided one day to buy the boat and ant other materials that my husband is using for fishing.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE22:** mm...I did not approach any bank, so I do not know.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE22:** social finance? The products related to that I am not aware. As I told you I do not have any information regarding banking products. What I can tell you is that small businesses need financial supports.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE22:** I think generally, people need something new. If Islamic finance will be different and it will alleviate people's problems, it be welcomed for sure.



## **INTERVIEWEE (FE23)**

**Researcher:** Asalam Anlaikoum. First, I am Asma, and I want to thank you for accepting this.

**FE23:** Wa Anlaikoum Salam. No problem. We start.

**Researcher:** Thank you. Can you please introduce yourself?

**FE23:** I consider myself as a mother, that is my greatest role. Besides that, I am an entrepreneur.

**Researcher:** How long have you been an entrepreneur?

**FE23:** it's been three years only that I had the idea of earning money on my own and when I told my husband, he embraced it.

**Researcher:** What kind of work do you do?

**FE23:** Fishing, my husband is a fisherman and I take care of the selling and the financial part.

**Researcher:** Do you have any employees?

**FE23:** My husband and I only.

**Researcher:** Is your financing from an external or internal source?

**FE23:** you know, my story is like this: I used to depend on my family who is in France to send me money every month. But one day I have decided to ask them to send me a financing to buy boat and to launch the business. So, now Alhamdulillah we are living because of that.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE23:** This is not the kind of business that you approach the bank for a loan, so yeah having a small business is a challenge itself.

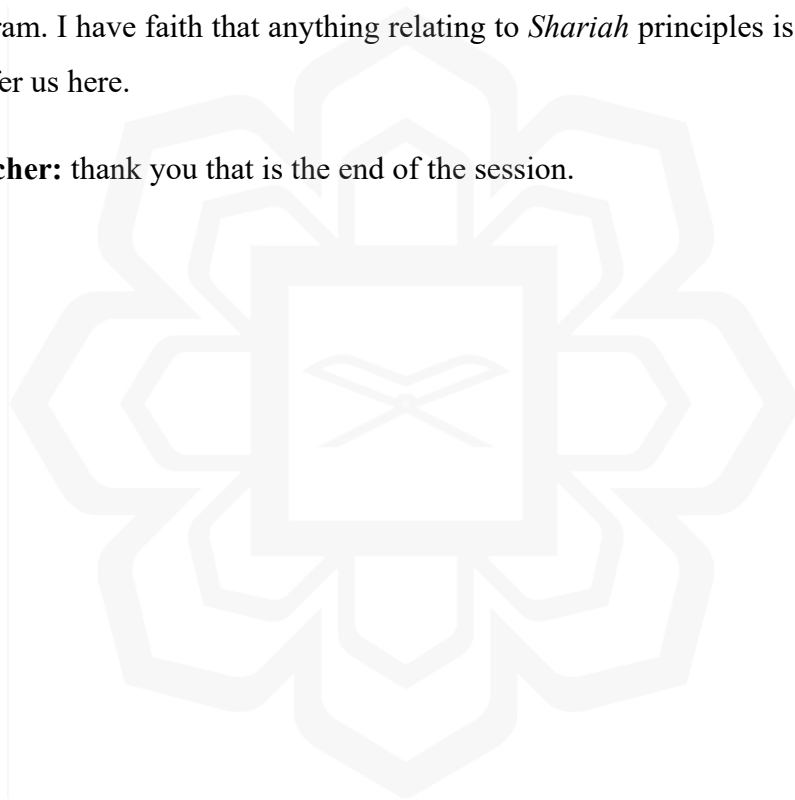
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE23:** no, I am not. More accessible loans and special banking products for small business.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE23:** As you explained to me? I think we should not use the conventional banking if it is Haram. I have faith that anything relating to *Shariah* principles is better than what they offer us here.

**Researcher:** thank you that is the end of the session.



## **INTERVIEWEE (FE24)**

**Researcher:** Asalam Anlaikoum. I am Asma, and as I explained before, we are doing this interview for the purpose of my research. Thank you so much for your time.

**FE24:** Wa Anlaikoum. Salam. Okay no problem.

**Researcher:** Alright, can you please introduce yourself?

**FE24:** yes. I am a businesswoman doing Agriculture business.

**Researcher:** How long have you been an entrepreneur?

**FE24:** only five years.

**Researcher:** What kind of work do you do?

**FE24:** Agricultural Activities.

**Researcher:** Do you have any employees?

**FE24:** I took someone to take care of my farm. I do sell some of the products and we eat some as a family.

**Researcher:** Is your financing from an external or internal source?

**FE24:** I did not need any financing then. However, at this moment, the thing that I will need is enhancing my materials and expend my business.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE24:** generally, when you need a loan from the bank it is very difficult to easily access it. They have many requirements. So, yes, I can say that it can be challenging. Besides that, someone like me who has small business, I may not need much loan so means they will not give me money just because I have business and I want a loan.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE24:** no, I do not know any Islamic social finance products. Big business they access loan, however, us as small businesses it is challenging. So, I think accessing loan easily will be a big improvement.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE24:** Yes, if it is different and if it will consider people like us with small businesses.

**Researcher:** thank you so much for your time appreciate it. That is all for the session.



## **INTERVIEWEE (FE25)**

**Researcher:** Asalam Anlaikoum. Thank you so much for your time and accepting this interview.

**FE25:** Wa Anlaikoum. salam, No problem you are welcome.

**Researcher:** can you please introduce yourself?

**FE25:** yes. I am a Comorian woman who is involved in the agricultural business.

**Researcher:** How long have you been an entrepreneur?

**FE25:** I started seven years ago.

**Researcher:** What kind of work do you do?

**FE25:** Agriculture only.

**Researcher:** Do you have any employees?

**FE25:** no, it is very simple, so I do not need any employees. I do the farming with my husband, and we sell to the market. That is our source of living. Only me and my husband involved.

**Researcher:** Is your financing from an external or internal source?

**FE25:** I did not need any financing to start earning from my agriculture's activities. As you we are doing very traditional work so it's our hands and some materials.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE25:** I do not think it is difficult for some people but for us I believe it is.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE25:** I do not think there is a Comorian who knows the existence of Islamic social finance as it is not proposed in the financial system here. Make small business easy to access loan will be good for us.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE25:** yes, for sure. We will never say no to a new alternative. I just hope it has something new to propose.



## **INTERVIEWEE (FE26)**

**Researcher:** Asalam Anlaikoum. I am Asma, and thank you so much for your time and accepting this for the purpose of my research.

**FE26:** Wa Anlaikoum. salam. You are most welcome.

**Researcher:** so, we can start. Can you please introduce yourself?

**FE26:** I am a mother and a businesswoman.

**Researcher:** How long have you been an entrepreneur?

**FE26:** five years. Yes, it's been five years.

**Researcher:** What kind of work do you do?

**FE26:** Fishing, I am in the fishing business with my brother.

**Researcher:** Do you have any employees?

**FE26:** no, only me and my brother, if that count we are only two.

**Researcher:** Is your financing from an external or internal source?

**FE26:** Five years ago, I was thinking about any business that I can do and at the same time will be fruitful and beneficial. Fishing, fishing is a business that bring a lot of money because every day we sell as many fishes as possible. The only problem is if the weather changes. But, I did not have anything to buy the boat and the necessary materials. So, I approach the bank for a loan. They gave me so many conditions for instance I gave one of my lands for collateral. Not only that but Gold also. But I believe it was worth it. So, I got the loans, we bought the materials and my brother is responsible for the fishing tasks.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE26:** is it about being an entrepreneur? Or about being a middle- or lower-class income? I think it will depend on what you have as an asset because banks need something in return for them to give the loan.

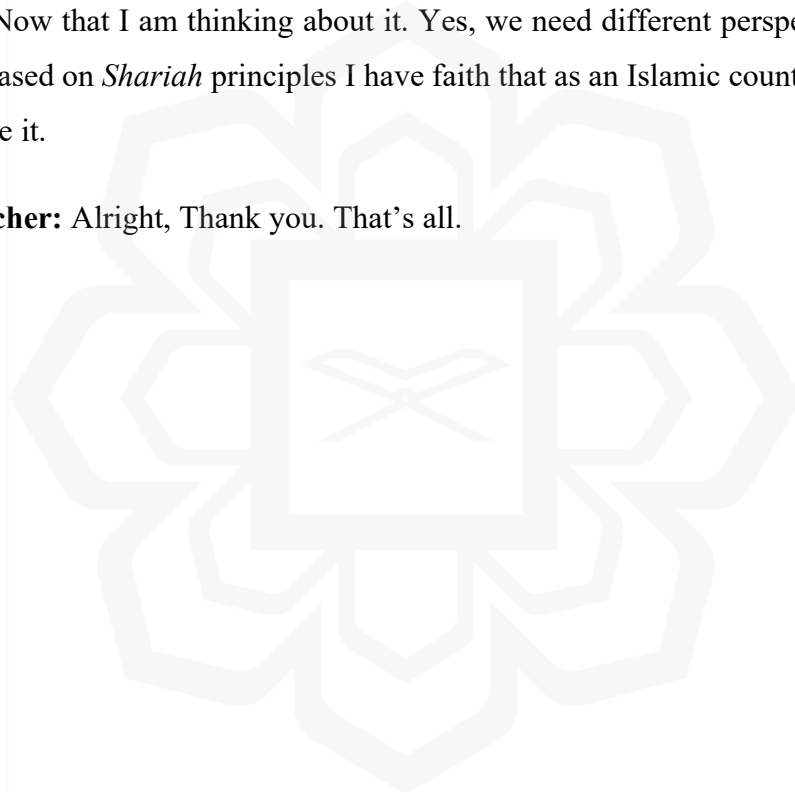
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE26:** *Zakat, waqf and Sadaqah*, yes, I know. Even though there is microfinance institutions in the country, small businesses owner we still have difficulties to have loan. So, improvements? Have loans specifically for small businesses.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE26:** Now that I am thinking about it. Yes, we need different perspective to rely on. If it is based on *Shariah* principles I have faith that as an Islamic country everyone will welcome it.

**Researcher:** Alright, Thank you. That's all.



## **INTERVIEWEE (FE27)**

**Researcher:** Asalam Anlaikoum. As you know, I am Asma, and this interview is for my research. Thank you for your time.

**FE27:** Wa Anlaikoum .salam. You are welcome. No problem.

**Researcher:** let's start, can you please introduce yourself?

**FE27:** I am an actively women in the society and I do fishing business.

**Researcher:** How long have you been an entrepreneur?

**FE27:** six years. Alhamdulillah it's been six years.

**Researcher:** What kind of work do you do?

**FE27:** Fishing industry, I am in the fishing industry.

**Researcher:** Do you have any employees?

**FE27:** yes, I do. I did not want to involve my family in my business, so I joined the business with my friend's brother. Basically, it's only two of us.

**Researcher:** Is your financing from an external or internal source?

**FE27:** As you explained the definition, it is external. I borrow money from one of my best friends. I mean the sister of my co-worker. She embraced the idea so much and she gave me a loan and I joined the business with her brother.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE27:** There is kind of business that you approach the bank but not a business like mine. Is it difficult? I assume yes. Just because we have a small business we do not fit in the bank's requirements.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE27:** no, I am not. The government should think about small business. It is because we also pay taxes, and we contribute in our way.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE27:** *Shariah* compliant is something very important to everyone in this country as Muslims. I believe it will be beneficial for people like me owing a small business.

**Researcher:** Thank so much that's all for the questions.



## **INTERVIEWEE (FE28)**

**Researcher:** Asalam Anlaikoum. Thank so much for accepting this interview, it means a lot to me and for my research as you know.

**FE28:** You are welcome. May Allah bless you. You can start the questions.

**Researcher:** Ameen, Thank you. Can you please introduce yourself?

**FE28:** I am a businesswoman in the agriculture sector.

**Researcher:** How long have you been an entrepreneur?

**FE28:** Seven years. Seven years I committed myself to this and start going to the market by myself to sell my goods.

**Researcher:** What kind of work do you do?

**FE28:** Agriculture businesses. I do farming, I cultivate, and I sell to the market.

**Researcher:** Do you have any employees?

**FE28:** no. I do everything by myself as I told you. I do it for the sake of my children. I sometimes ask help if I need but I do not have any employees except myself.

**Researcher:** Is your financing from an external or internal source?

**FE28:** I did not have even anyone who accepted to give me a loan. But by the grace of Allah SWT, I use my own pocket money for everything, my pocket money that I earned here and there with my other small businesses.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE28:** I think accessing bank's money is generally not easy at all, hence having a small business it makes things worst. Because owning a small business means you do not have assets to take loans, so you rely on yourself only.

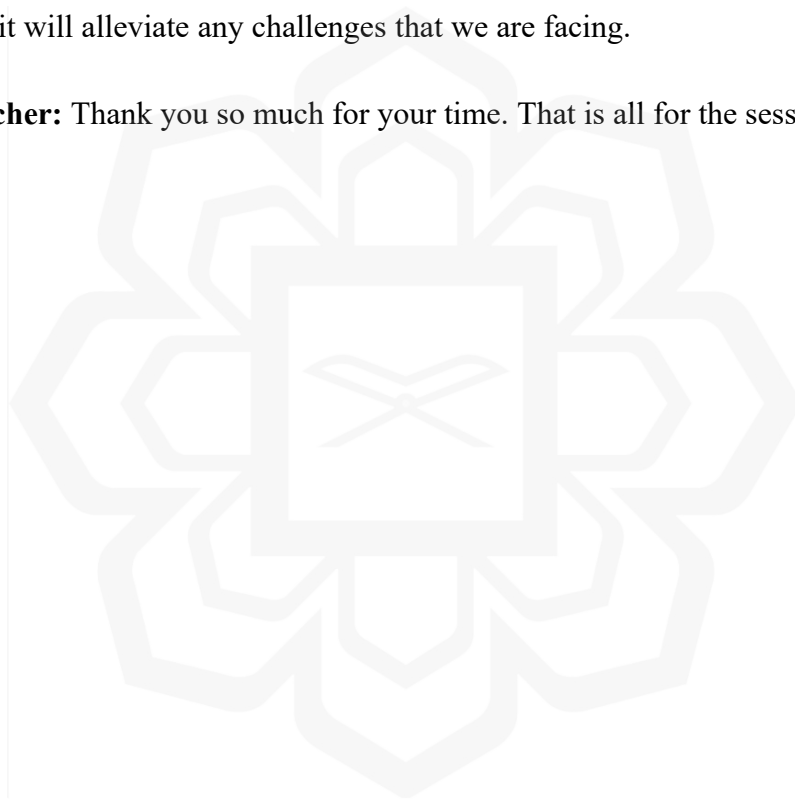
**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE28:** Islamic social finance banking products? No, I don't know about them. Making loan accessible for small business like mine.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE28:** Definitely we need it, I guess. *Shariah* principles are very important, and I believe it will alleviate any challenges that we are facing.

**Researcher:** Thank you so much for your time. That is all for the session.



## **INTERVIEWEE (FE29)**

Interviewer: Asalam Anlaikoum. My name is Asma, and I am doing PhD research. Thank you so much for your time.

**FE29:** You are welcome. Let's start.

**Researcher:** ok. Can you please introduce yourself?

**FE29:** sure. Yes. I am a wife and a businesswoman.

**Researcher:** How long have you been an entrepreneur?

**FE29:** Ten years to be exact. I am telling you ten years because I have been involved in agricultures activities since a very young age. Because that is what our parents did and what we did to feed our families. But deciding to make it a business, it is recent like ten years.

**Researcher:** What kind of work do you do?

**FE29:** Agriculture as I stated before.

**Researcher:** Do you have any employees?

**FE29:** technically, I do not. However, I may demand help from people if I need it.

**Researcher:** Is your financing from an external or internal source?

**FE29:** I did not get any money from anyone. My side hustle, and my pocket money gathered to buy the minimum that is necessary for my business and my planting, I mean for the whole process.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

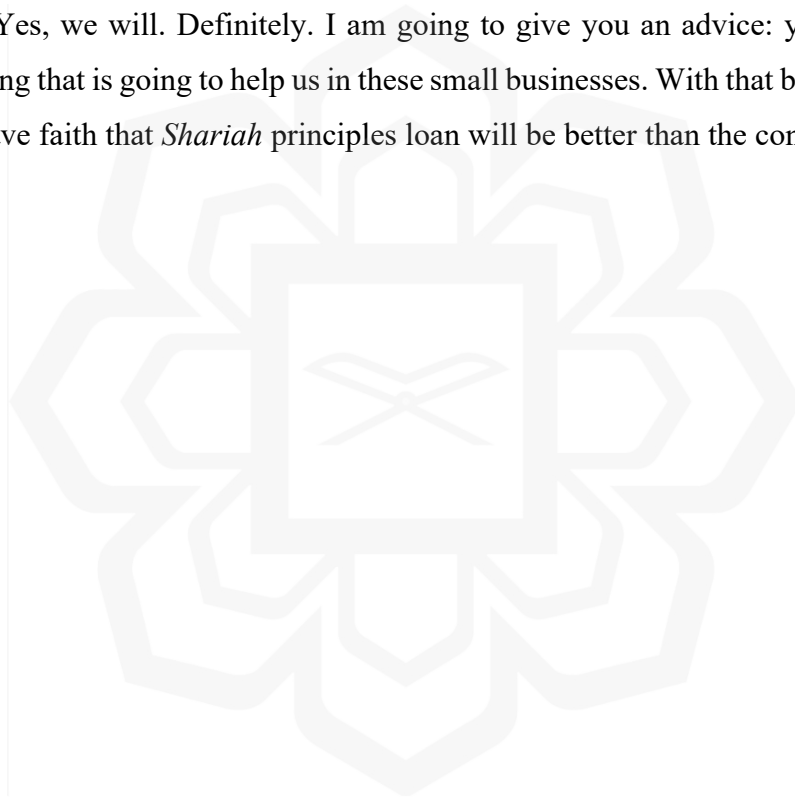
**FE29:** We are living in a very poor country my child. It is very difficult for everyone in here. If you know people in the bank, they will give the loan and if not, they will make sure they give you requirements that you cannot bear.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE29:** if you are talking about *Zakat* and *waqf*, yes, I know but the banking Islamic products I am not aware of them. Improvements? I believe make loan accessible for everyone.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE29:** Yes, we will. Definitely. I am going to give you an advice: you should study something that is going to help us in these small businesses. With that being said, I wish, and I have faith that *Shariah* principles loan will be better than the conventional one.



## **INTERVIEWEE (FE30)**

**Researcher:** Asalam Anlaikoum. My name is Asma, and as I told you before, this is for my research. Thank you so much for your time.

**FE30:** Wa Anlaikoum. salam. you are welcome any time. No problem.

**Researcher:** alright, can you please introduce yourself?

**FE30:** yes. I am woman entrepreneur. I am involved with farming and agriculture.

**Researcher:** How long have you been an entrepreneur?

**FE30:** Seven years.

**Researcher:** What kind of work do you do?

**FE30:** Agriculture

**Researcher:** Do you have any employees?

**FE30:** I am so old now to do those kind of work alone. I hired someone to help me. Sometimes we go together and sometimes he will go alone to oversee and take care of my farm.

**Researcher:** Is your financing from an external or internal source?

**FE30:** I did not need much of financing. I just took money from my husband and some from me to buy whatever was necessary.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE30:** A big businessman is not difficult, but entrepreneurs I do not think it is easy. Imagine someone like me with small business, I will never get a loan from bank because of the nature of the work that I do.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE30:** I am aware of *Zakat* and *waqf* only. I do not know about the products that they offer using *Zakat* and *waqf*. We definitely need financial support.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE30:** Yes, we will need. It is needed in this country.

**Researcher:** Thank you so much for time. Appreciate it.



## **INTERVIEWEE (FE31)**

**Researcher:** Asalam Anlaikoum. My name is Asma, and we are doing this interview for the purpose of my PhD research. Thank you so much for your time and accepting to help me for my research.

**FE31:** Wa Anlaikoum. Salam. No problem it's fine.

**Researcher:** Thank you. Can you please introduce yourself?

**FE31:** yes. I am an entrepreneur for nine years now.

**Researcher:** How long have you been an entrepreneur?

**FE31:** Nine years. It's been nine years only.

**Researcher:** What kind of work do you do?

**FE31:** fishing, fishing, and its like are something that people are consuming and needing every day. It's a very good business alhamdulillah.

**Researcher:** Do you have any employees?

**FE31:** We are three owning this business. You know that it is a man job, but their job is fishing only. The rest I do it, like the selling part and the administration part.

**Researcher:** Is your financing from an external or internal source?

**FE31:** It was a contribution between the three of us. We made an equal contribution; we bought boat and other materials.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE31:** whether it is difficult or not, we avoided the bank. This was easy and convenient for us.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE31:** I am not. We need easy access to loan.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE31:** If it will be easier. We will.

**Researcher:** Alright. Thank you so much for that.



## **INTERVIEWEE (FE32)**

**Researcher:** Asalam Anlaikoum. As I told you before, my name is Asma and I'm doing this for the purpose of my research. Thank you so much for your time. This will help me in my research.

**FE32:** Wa Anlaikoum .salam. No problem.

**Researcher:** Alright. Can you please introduce yourself?

**FE32:** yes. I am a woman who do business in the fishing industry.

**Researcher:** How long have you been an entrepreneur?

**FE32:** Eight years. Now that I am thinking about it yeah eight.

**Researcher:** What kind of work do you do?

**FE32:** fishing. Fishing: we sell fishes in the market that's what we do.

**Researcher:** Do you have any employees?

**FE32:** myself and my husband we sell at the market. My husband goes fishing with some of his friends.

**Researcher:** Is your financing from an external or internal source?

**FE32:** it was my husband's money.

**Researcher:** As an entrepreneur do you find it difficult to access loans from the banks? If yes, what are the challenges that you are facing?

**FE32:** I think it depends on who approach the bank. If small business owner, it will be difficult. Other people I od not think it is difficult.

**Researcher:** Are you aware of Islamic social finance products? What improvements or support do you believe are needed to create a more inclusive environment for female entrepreneurs in the conventional business system in Comoros?

**FE32:** no, I am not aware of that. Consider small business owner in giving loan will be a great improvement.

**Researcher:** If they introduce you to an alternative that will alleviate these challenges and at the time in line with *Shariah* principles, will you welcome it?

**FE32:** yes, we will. We need to expend our businesses, and to have new and modern materials, so, yes, we will welcome it.

**Researcher:** Thank you so much that is all for the questions.



## APPENDIX D

### FOCUS GROUPS WITH EXPERTS

#### **Two members in the Arab department in the Ministry of Finance (MF1 & MF2)**

This particular department was chosen because they are legally in charge of collecting *Zakat* and *Sadaqah* in Comoros. The interview was between the researcher and the head of the department together with his colleague. At the end of the session, the interviewees share important legal documents with the researcher.

**Researcher:** Salam Anlaikoum. First thank you so much for this interview meeting. It means a lot. It will in addition help me to achieve my goal and finish this PHD very successfully In Chaa Allah.

**MF1:** You are very welcome. I am so glad I will be able to help you. And I also want to congratulate you on this huge impact that you are about to have on this country.

**MF2:** We will give you all the necessary information that you need if we have it.

**Researcher:** How is the *zakat* System in the country?

**MF1:** I will give you some legal documents that will help you answer your question meanwhile I will try to explain. There is an agency/Committee that was created in the ministry of finance comprise of, a member of the Cabinet of the Minister of Finance, a representative of the Arab department (Ministry of finance), a representative of the Ministry of External Relations, and a representative of the Ministry of Islamic Affairs. The purpose of this committee is the collection and distribution of *zakat* to the beneficiaries. The funds collected must be paid into account TR0046 “Fonds Comorien de *zakat*” opened at the central bank. Besides that, there is Dar Al-*Zakat* that is also in charge of collecting and distributing *Zakat*. Do you want to add anything Ustaz?

**MF2:** I am sure you said it all, what I would add is that to get more information you may also refer to Dar Al-*Zakat*. Besides that, those documents will be beneficial in chaa Allah.

**Researcher:** Is there any significant contribution of *waqf* and/or *Zakat* in the country?

**MF1:** people are definitely paying *Zakat*. Having good use of *Zakat* that what we should be doing in the coming years for Comorians.

**MF2:** if I may add, the contribution can be noticed in the payment of *Zakat* by the Comorians. Now, the question that we should ask ourselves is that, is the distribution significant? Yes, they are beneficiating from the *zakat* but not effectively. It is because it is just in form of consumption only. That is why I am saying that your idea is great, and I am sure it will be significant for the receivers after we will be able to implement your research in the country.

**Researcher:** Do you think Comorians are aware of the concept and significance of *zakat* in the country? and to what extent is *zakat* practiced within the local communities?

**MF1:** I do believe that Comorians are aware of the concept of *Zakat* and its significant in the sense that they know it is something that helps the poor in the country. However, not to the extent of your research I do not think Comorians are aware that *Zakat* money can help them even more if we focus on the financing side. For now, it just collection, distribution of *Zakat*. That is, it.

**Researcher:** is there any law or document that enforces the existing and paying of *zakat* in the country.

**MF1:** Yes, when you refer to the documents that I gave you will see the proof of that.

**Researcher:** what do you think about financing entrepreneurs using *Zakat* and *Waqf* funds?

**MF1:** That is a very good idea and that is what this country needs. It is one of the projects that we have, people who are receiving *Zakat* should get the chance to enlarge their income instead of using it for consumption only. The general idea that we have is financing micro business using *Zakat*, so your idea is a pretty good one. It will be helpful in the sense that we can use your model and that is a way of introducing Islamic finance in the country.

**Researcher:** In the model that I want to propose, I want to use *Zakat*, *waqf* funds to finance entrepreneurs using Qard and Mudarabah contracts. What do you think? Do you think it is possible in the country? What about *Shariah* issues? And do you think as *zakat/waqf* institutions can appoint a committee to oversee these activities?

**MF1:** first, as I told you it is a wonderful idea, in the context of Comoros it is definitely possible as I confirmed to you we just need good management. Appointing an independent committee to manage those funds. It is a good idea, and it is possible. For the *Shariah* issues, I believe we can identify one once we are in the practice part.

**MF2:** for me, in my opinion using *Zakat* and *waqf* fund with Mudarabah and Qard contract is a good start, considering you want to introduce those Islamic finance activities in the country. For the issue of appointing committee, I believe that will be the best option. It is because it needs to be independent from external influence.

**Researcher:** Thank you so much for your time and these documents. Really appreciate it thank you.

## **Two members of Dar al-zakat including the director (DZ1 & DZ2)**

**Researcher:** Salam, thank you so much for having me. I am doing research regarding *Zakat* and *Waqf* in the country. So, first, there are three main things that I need to know and understand. The legal picture of Dar Al-Zakat. Second, is Dar Al-Zakat a national institution or only on the big island? Third, how are you collecting *Zakat* and how are you distributing it. And lastly, if you will be willing and open to use *Zakat* for investment or to help entrepreneurs.

**DZ1:** first, Dar al *Zakat* started operating only in NGAZIDJA (big Island) and lately, the Mufti of the country said that we can not operate only for the big island, but we need to expand our operations to the other islands. So, we started working on that. Here is the official letter from mufti. Now we can operate on all three islands. We are now having the right to help those in other Islands. There is representatives from other Islands but here is the main office. Now, the government are following our activities. Our events are in collaboration with the presidency, Islamic affairs and the Muftorah. Even we got appreciation from the ambassador of Saudi Arabia and the UAE. In 2019, we got awarded as the first institution who did a great job in distribution of *Zakat*.

**Researcher:** who are the people who benefitiate *Zakat*?

**DZ1:** disables (which we categorize them as Masakin), widows, elders who are financially unable to take care of themselves (we categorize them as Fukara'a). Most of beneficiaries are widows and disables. We sometimes give to elderly who are not disable but they are financially unable. We have many poor in this country that is why we prioritize women who have nothing and do not have husbands. We also give to university students from Madagascar (we categorize them as Ibn Sabyl).

**Researcher:** in the case of the distribution did you have any awareness on how people should pay *Zakat*?

**DZ1:** yes, we did, we approached media for awareness, we went also to small villages to approach people, the government itself help in their way by telling people about the contribution of *Zakat*. We also receive *Sadaqah* from people because they believe we will fairly distribute them. Now people are starting to understand what *Zakat* is. And how it works? Now they understand but the contribution is still very low.

**DZ2:** if I may add, approaching the media is the most efficient way. It is because it reaches as many people as we target them.

**Researcher:** So, if I understand, people who are paying *Zakat* it is from their willingness?

**DZ1:** yes.

**DZ2:** we do receive people here in the office that they want to pay *Zakat* or give *Sadaqah*. At the same time, mostly we have to organize events to remind them about *Zakat*.

**Researcher:** are you the one who calculates *Zakat* for them?

**DZ1:** yes, we calculate for them, and some calculate for themselves. We have a document in which the rate of Gold, silver and money is clearly stated. Honestly, things are not easy, luckily, we sometimes get *Sadaqah* from time to time. For instance, we recently wanted to buy stationery for primary school students, and we got *Sadaqah* from someone who bought all the school bags. Another person bought pens and the other bought books and notebooks. This is because we have many events that bring people together. We sometimes get clothes from people who want to give and help the poor. Sometimes we collect only *Sadaqah* but not *Zakat*, and it is sometimes enough to give to the needy that register themselves here. As I said before people still do not understand

**DZ2:** here is the document that you can find all the *Zakat* rates. I will give you more documents if needed.

**Researcher:** So, the only activities that you have so far are for awareness and distribution?

**DZ1:** Yes, that is the first step, but we have a project in which a health center for the needy, a project to finance the needy to do small businesses. Besides that, on other islands we need to sponsor the needy who want to get married but do not have the financial ability to do so. And the amount that we will give them will be for Mahr and the other half will be for them to open a small business to make a living. We would like also to open a school for women disable. For now, we are focusing first on launching the activities on other islands.

**Researcher:** So, your office will be under the Muftorah?

**DZ1:** yes.

**DZ2:** I will give you documents for that too.

**Researcher:** So, you oversee the collection and the distribution?

**DZ1:** yes.

**Researcher:** Is there any significant contribution of *Zakat* in the country?

**DZ1:** there is but still there is always more people needing *Zakat*. I mean people are paying *Zakat* but sometimes is not enough.

**DZ2:** what we do is that we open to register anyone who is in need or eligible to receive *Zakat*. For that, whenever the fund is available, we distribute them. Most of the time the distribution is done based on priority.

**Researcher:** what are the challenges that encounter in this work?

**DZ1:** One of them is that we are not able to distribute the *Zakat* to all the needy. There are so many people that register themselves to receive *Zakat*, but we cannot because we do not have enough, and the contribution is not enough either.

**Researcher:** do you consider yourself a charity organization or a government body?

**DZ1:** We are a government body.

**DZ2:** do not worry I will give you the documents, the proof of all of that.

**Researcher:** What do you think about introducing a model that will finance entrepreneurs using *Zakat* and *Waqf* instruments with Qard and Mudarabah contract?

**DZ1:** It is a good idea; I think it is needed in the country. Those people that we are helping they need good management of *Zakat*. I even told you that we want to start giving money for women who do not have husbands to do their own small businesses.

**Researcher:** Thank you so much for your time and effort.

## **Two members of the highest position in the Islamic Affairs Division (IA1 & IA2)**

The focus group was conducted between the researcher and the two members of the Islamic affairs division. Legally, the Islamic affairs division is responsible to manage *Awqaf* in Comoros.

**Researcher:** Salam, thank you so much for having me, I am doing research regarding *waqf*, *Zakat* and *Sadaqah* in the country. For that, I came to you because I know this is the main reference of any Islamic affairs in the country.

**IA1:** W. Salam, you are welcome, and we can indeed give you any information that you need if we have it.

**Researcher:** How is the *waqf* system applies in Comoros?

**IA1:** I cannot define a specific system, however, first, us if we are involved, we are responsible for receiving Awqaf, secondly Kadis are mainly responsible for that. And by the anyone can be trustee as long as the owner of the *waqf* trust them enough to manage their Awqaf.

**Researcher:** Do you think Comorians are aware of the concept and significance *Waqf* in the country? and to what extent is *Waqf* practiced within the local communities?

**IA2:** I think they are not. I think Comorians just rely on the basics which mean giving Awqaf for Muslims to beneficiate from them, a very basic definition and purpose of *waqf*. People gives land and money Awqaf for others to beneficiate from them. Nothing much.

**Researcher:** Is there any significant contribution of *waqf* in the country?

**IA2:** definitely, there is abundant of Awqaf in this country both land and Money. The problem is not the contribution the problem is proper management.

**Researcher:** is there any *waqf* in the country and do you get to manage some of them?

**IA1:** Yes, there are so many Awqaf in the country. There is RIBATU *waqf*, school like EPFA in which was built in a *waqf* land. There is also another land called MADJADJU.

In the rural area as well, there might be many Awqaf that we do not know about them. If we get involved, yes, we do manage some of them. We have been called to several events regarding *waqf*.

**Researcher:** What are the challenges that you encounter in the management of Awqaf?

**IA1:** one of the challenges that surrounds *Waqf* is that the government has not yet enacted and to vote on a law of appointing a committee or a body in charge of managing *Waqf*. This would be helpful in terms of transparency and would be easy for entrepreneurs who wish to benefit from those Awqaf land. Those Awqaf exist in the country both in the local area and the city. The local Awqaf I believe they are well managed because if the Waqif say their land is for masjid, people. Another challenge is that people who are occupying some of the Awqaf houses do not want to leave. It is because they believe that as they have been staying for too long, ownership belongs to them. Those people went to court for that. I believe that if there is good management, aware people would not be acting like that. This restrains entrepreneurs who would like to invest and use those lands. There are however few of them who accept the condition of renting and the income is given to the responsible of the Masjid.

**Researcher:** Do you have any idea how is the situation in the other islands?

**IA1:** it is the same on all islands. There is the Awqaf but there is not any discipline, development, and management. There is another example to show you that people could really beneficiate from the RIBATU *waqf*, there was a couple from a country that came here and have been given a place to stay, we beneficiate in the sense that first we help a Muslim couple and second because the husband was a doctor, and he got a chance to treat our community for free.

**Researcher:** so, you mean in case let's say we want to launch a business model financing entrepreneurs using Islamic social finance instruments with Qard and Mudarabah contracts. Do you think we will need an awareness campaign? And what do you think about introducing that model?

**IA1:** yes definitely, it is because first people need to understand that this is something that Muslim will benefit from and besides that, people need transparency in this kind of program. They especially need to understand that this is something that will help

eradicate poverty. There are so many people in this country that are willing to give their property for *waqf* money, but they need to know that there is management, trust, and transparency. Generally, in the local area *waqf* are either Masjid and Schools to teach Quran and here in Moroni the popular Awqaf are land can be for Masjid, schools or even land that people are freely living. Introducing the model is a very good idea and I think it will be a way to help entrepreneurs in need.

**Researcher:** in order to improve the management of Awqaf do you think it is possible to appoint a committee to manage these funds?

**IA2:** I think it will help a lot yes.

**Researcher:** is there any law or text that is first stating that the government is recognizing the existence of *Waqf*? Like is there any law regarding *Waqf* in the country or not?

**IA2:** there was a law that has been enacted but did not go far. It is stated in our law documents that *waqf* is one of our missions as Islamic affairs division.

**Researcher:** In those Awqaf that you were involved in, do you have any working documents or a *Waqf* written?

**IA2:** I do not remember that we have a document like that. Generally, people just call us to participate in Awqaf event, but we do not have any document like that.

**Researcher:** Thank you so much for your time, appreciated it a lot.

## APPENDIX E

### SEMI-STRUCTURED INTERVIEW WITH THE KADI OF THE BIGGEST CITY IN COMOROS

This semi-structured interview was conducted with the Kadi of the capital and the big region of the country. Further, the Kadi is legally responsible to manage *Waqf* in the country, therefore this interview was meant to be understand the *waqf* system in Comoros.

**Researcher:** Salaam Anlaikoum, my name is Asma and I am conducting academic research regarding *Zakat* and *Waqf* in the country, and the way they are managed. So, I am here today to get information or knowledge regarding *Waqf* in the country, especially in the capital city. How is the *waqf* system applies in Comoros?

**KD:** *waqf* is something existing in the Country since, therefore, people started given Awqaf long time ago. Back then, it was only land and now people are also giving money for *waqf*. So, generally families appoint whoever they trust enough to manage their Awqaf but legally the system is that Kadis and the Islamic department divisions are in charge.

**Researcher:** How is the management of *Waqf* in the country?

**KD:** In brief, *Waqf* in this country started a long time ago, however, the most unfortunate thing is that there is not an office or institution that is managing those *Waqf*. First, either families amount their own trustees to manage their Awqaf or they hire an agency to manage them. Secondly, legally, as Kadi I have the right to manage those Awqaf only if they approach me. Besides that, the Islamic affairs division also it is one of their purposes, managing Awqaf.

**Researcher:** Is there any significant contribution of *waqf* in the country?

**KD:** yes, there is. Many Awqaf for both land and money.

**Researcher:** What are the challenges that you encounter in the management of Awqaf?

**KD:** One of the challenges is that the *waqf* houses that are under leasing, people do not pay rent. For what I know only in these recent years like two or three years some Awqaf are generating some income. For instance, Ribatu *waqf*, kurani Zawuyani *Waqf* or Komoria *Waqf*, those Awqaf the owners gave them to be graveyard and additionally most of Moroni's mosques like 98% are from *waqf*, they even name those mosques after their *waqf* owner. My point is after they give those Awqaf they did not appoint someone to manage them, but they just build them. People who are praying in those mosques if they get the chance, they spend their own money to renovate the mosque if not, there is not any management. However, lately some of those mosques they appoint a committee their role is to manage anything relating to the mosque. For instance, of the mosque each contribute some money to pay electricity or buying carpets, it can also be in form of *Sadaqah*. But they started very recently.

Now, there is also land Awqaf, however, those who are occupying them refuse to pay rent. One of the reasons is that even those who are "managing" are kind of lazy to ask for rent and tenants also give many excuses not to pay. In recent years, there are establishments of agency institutions in which one of their jobs is to go and ask for rent, it kind of strengthen the system, and now those Awqaf can generate some income. So, the mechanism is that we give Awqaf houses under the management of those Agency institutions, and their duty is to find tenants, collect rent transfer to *Waqf*'s owner account. And on the other hand, the agency institution will take some agreed percentage from the rent. Those Awqaf, I can testify that, they are generating some income. However, if *Waqf* owner did not hired those agency institutions, they will not be able to collect rent. Another thing, people who are staying in those houses allow themselves to lend the apartment to other people who do not even know it is a *waqf* property. So, when the *waqf* owner wants to collect rent it is difficult because the current tenant does not even know the owner.

**Researcher:** in those graveyard Awqaf do you need to pay?

**KD:** no, there are not any fees for that.

**Researcher:** So, who appoints those committee who sometimes manage those Awqaf? By the government? By the Mayor?

**KD:** no, only citizens appoint themselves, for instance, someone who had property and give it for *waqf* and said any income generating from my property will be used for any mosque expenses. So, the managers of that *waqf* will be a committee from that mosque. Many Awqaf are specifically dedicated to the main mosque of the capital city. There is also the Zawuya mosque which has its own *Waqf* property. So, the responsible of the mosque appoint someone to collect rent from those Awqaf land. However, some people still do not pay rent but the collected.

For instance, there was a rich men named Safedinne who died, and before his death he said his properties (which are houses and land) are *waqf* for the big Mosque in the Moroni. So, anyone who rents the place, the rental income will be given to the mosque's committee for any mosque's expenses.

So, there is the RIBATU *waqf*, it is a *waqf* that in which the owner purchases the land and gives it as a *waqf* specifying that it is for any student who study in the area. It is clearly stated that it is for students who are studying *Shariah* in the area and their teachers and lecturers who will be teaching them, they have the right to be staying in the house or the land. In those time the place constitutes of the mosque (in which people were learning and studying), the house and a kind of garden. However, things did not go far as expected because that place, which was a campus, was a reference because people did not have the ability to go and study abroad. So, the owners of that *waqf* died, things change, people started to go abroad for studies. Now people who are staying in that place are the Imams of the Masjid. Now that place has become the center of the city so there are not even those students. Lately, some *Shariah* scholar who oversaw that *waqf* came with the idea of renting the place and uses that income to build and renovate that mosque, I only know two people who give *Sadaqah* for that Mosque, other than that, it was all the rental income from RIBATU place. I believe it is because they hired the agency institution to collect rent. One of the challenges is that some tenants do not want to pay rent, they even take it to court, because they believe that first as they have been staying in the place for so long, the place or the house belongs to them. Second, because they believe they should not pay rent on a *waqf* property. So far, the RIBATU *waqf* is the only *Waqf* that is under the management of the kadi. Recently in January, a law was enacted in which Kadi will be managing all Awqaf. The law has already passed

but has not been implemented yet. Now any *waqf* depends on the one who is in charge if they can do their job or not.

There is someone who gave *waqf*, the building in Caltex, we do a lot from that income even if people in Moroni are the only beneficiaries, but we hope that later it can do a lot. For instance, we universities students, we help some for medical expenses. We also pay teachers who teach Quran in Madrasat al-Falah. Or any unexpected situation from anyone among us who are managing the *waqf*. I believe there are many people who did *waqf* that we do not even know.

Besides that, some people come to me and write a *waqf* statement for their valuable property, it just there is not a real management for those property.

**Researcher:** Do you think Comorians are aware of the concept and significance of *Waqf* in the country? and to what extent is *Waqf* practiced within the local communities?

**KD:** As I explained before, there is abundant of Awqaf in the country both land and money Awqaf. So, yes I think people are aware of that. However, the significant in term financing I do not think they are aware of that. For now, *Waqf* is managed in the normal and basic way but no investment or anything else.

**Researcher:** What are the key factors that influence the awareness and practice of *Waqf*?

**KD:** we are fortunate enough to be a Muslim country that, so the awareness exists. The practice is something very different.

**Researcher:** So, dear respected Kadi, my research will be how can we manage these Awqaf in this country and how can it be a source of development in the country especially for entrepreneurs. So, what are your thoughts about that? I would also like to ask if I can include your name and short bio in my research.

**KD:** for me, until now I can say that in our country, we are not benefiting even 1% of Awqaf imagine a place like Moroni, we do not need to restrain to mosques, but we can have a multi-purpose building for offices, and income generating from that can help people. We can also build Islamic Hospital with very low consultation fees, that we contribute to the society, it can also help orphans who do not have financial ability to

study, go to the hospital. That is my opinion, we even had a proposition someone who wanted to take that RIBATU place for shops. However, people who are currently staying went to court for that stating that they have been staying for too long. We have a lot of *Waqf* in Moroni but yeah, they are developed.

**Researcher:** What do you think about introducing a model that will finance entrepreneurs using *Zakat* and *Waqf* fund with Qard and Mudarabah contract?

**KD:** I think it is a good idea. I think as I told you before that is what we need in order to enhance and beneficiate the Awqaf in this Country. That will be a good idea. We have teachers in that field, they will be a huge help in your project.

**Researcher:** One of the ideas that I have for the model is to appoint a committee to oversee these activities. What do you think? Is it possible for you as *Zakat/waqf* institution to appoint that committee?

**KD:** yes, it is possible.

**Researcher:** I think now if you have any documents of a writing *waqf* I would like to have them. Thank you so much for your time appreciated.

# APPENDIX F

## ANALYSIS IN ATLAS.TI

The screenshot shows the ATLAS.ti software interface. The main window is titled "Data Analysis - ATLAS.ti" and has a ribbon menu with tabs: File, Home, Search & Code, Analyze, Import & Export, Tools, Help, Documents, and Manage Documents. The "Manage Documents" tab is active, showing a "Search & Filter" sub-tab. Below the ribbon, there are several toolbars for document management, including "Add Document(s)", "New Group", "Search & Code", "Focus Group & Coding", "Rename Document", "Delete", "Edit Comment", "Open Group Manager", "Open Network", "Word Cloud", "Word List", "Report", and "Excel Export".

The main workspace is divided into three panes:

- Explore:** A tree view showing the project structure. Under "Data Analysis", there are "Documents (39)", "Codes (31)", "Memos (0)", "Networks (4)", and "Document Groups (3)". The "Document Groups (3)" folder is expanded, showing "Entrepreneur Interviews", "Experts Focus groups", and "Semi-structured inter".
- Document Manager:** A pane showing the selected document group, "Entrepreneur Interviews (32)". It lists sub-groups: "Experts Focus groups (3)" and "Semi-structured interview (1)".
- Document List:** A table listing individual documents. The table has columns: ID, Name, Media Type, Location, Groups, Quotations, Created by, Modified by, and Created.

ID	Name	Media Type	Location	Groups	Quotations	Created by	Modified by	Created
D 3	E3	Text	Library	[Entrepreneur Interviews]	17	Mobile46	Mobile46	01/01/2025
D 4	E4	Text	Library	[Entrepreneur Interviews]	17	Mobile46	Mobile46	01/01/2025
D 5	E5	Text	Library	[Entrepreneur Interviews]	12	Mobile46	Mobile46	01/01/2025
D 6	E6	Text	Library	[Entrepreneur Interviews]	12	Mobile46	Mobile46	01/01/2025
D 7	E7	Text	Library	[Entrepreneur Interviews]	13	Mobile46	Mobile46	01/01/2025
D 8	E8	Text	Library	[Entrepreneur Interviews]	13	Mobile46	Mobile46	01/01/2025
D 9	E9	Text	Library	[Entrepreneur Interviews]	10	Mobile46	Mobile46	01/01/2025
D 10	E10	Text	Library	[Entrepreneur Interviews]	8	Mobile46	Mobile46	01/01/2025
D 11	E11	Text	Library	[Entrepreneur Interviews]	10	Mobile46	Mobile46	01/01/2025
D 12	E12	Text	Library	[Entrepreneur Interviews]	12	Mobile46	Mobile46	01/01/2025
D 13	E13	Text	Library	[Entrepreneur Interviews]	11	Mobile46	Mobile46	01/01/2025
D 14	E14	Text	Library	[Entrepreneur Interviews]	9	Mobile46	Mobile46	01/01/2025
D 15	E15	Text	Library	[Entrepreneur Interviews]	12	Mobile46	Mobile46	01/01/2025
D 16	E16	Text	Library	[Entrepreneur Interviews]	15	Mobile46	Mobile46	01/01/2025

Below the table, a comment for document D 13 is visible: "Interviewer: Asamal Anlaikoum. First, thank you so much for your time and contribution." There are also icons for adding and deleting comments.

At the bottom left of the window, it says "39 documents".