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ISLAMIC FINANCIAL INSTRUMENTS AND HOUSEHOLD ECONOMIC RESILIENCE IN DEVELOPING COUNTRIES

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Abstract
Household economic resilience represents a key prerequisite for the stability and long-term sustainability of societies in developing countries, especially under conditions of inflation, economic crises, income insecurity, and widespread poverty. In this context, the paper analyzes the potential of Islamic financial instruments such as zakat, waqf, qard hasan, takaful, mudaraba, and musharaka in strengthening household resilience and economic security. The research aims to determine how these instruments can contribute to reducing financial vulnerability, promoting social inclusion, and enhancing the overall stability of communities. The study applies a theoretical and analytical approach, along with a comparative review of institutional practices in countries with well-developed Islamic financial sectors, including Malaysia, Indonesia, Sudan, and Bosnia and Herzegovina. The findings indicate that adequately integrated and well-regulated Islamic financial mechanisms hold significant potential to contribute to poverty reduction, increased access to financial services, and the strengthening of long-term economic resilience among households in developing economies.
Keywords: household economic resilience, Islamic finance, zakat, waqf, qard hasan, takaful, developing countries

ISLAMSKI FINANSIJSKI INSTRUMENTI I EKONOMSKA OTPORNOST DOMAĆINSTAVA U ZEMLJAMA U RAZVOJU

Apstrakt
Ekonomska otpornost domaćinstava predstavlja ključni preduslov za stabilnost i dugoročnu održivost društava u zemljama u razvoju, posebno u uslovima inflacije, ekonomskih kriza, nesigurnosti prihoda i visokog nivoa siromaštva. U tom kontekstu, ovaj rad se bavi analizom potencijala islamskih finansijskih instrumenata kao što su zekat, vakuf, qard hasan, takaful, mudaraba i musharaka, u jačanju otpornosti i ekonomske sigurnosti domaćinstava. Cilj istraživanja je da se utvrdi na koji način ovi instrumenti mogu doprineti smanjenju finansijske ranjivosti, podsticanju socijalne inkluzije i unapređenju ukupne stabilnosti zajednica. U radu je primenjen teorijsko-analitički metod, uz poređenje institucionalnih praksi u zemljama sa razvijenim islamskim finansijskim sektorom, uključujući Maleziju, Indoneziju, Sudan i Bosnu i Hercegovinu. Dobijeni nalazi ukazuju na to da adekvatno integrisani i regulatorno podržani islamski finansijski mehanizmi imaju značajan potencijal da doprinesu smanjenju siromaštva, povećanju dostupnosti finansijskih usluga i jačanju dugoročne ekonomske otpornosti u zemljama u razvoju.
Ključne reči: ekonomska otpornost, islamske finansije, zekat, vakuf, qard hasan, takaful, zemlje u razvoju

INTRODUCTION

Household economic resilience is increasingly seen as a crucial pillar of sustainable development, especially in developing countries that face frequent economic and social shocks (Adger, 2000, p.347). In such settings, households form the basis of the economic structure and serve as the first line of defense against crises like inflation, unemployment, and natural disasters. Their ability to adapt and recover has a direct impact on the overall stability and progress of society. Yet, many households in developing countries still lack access to even the most basic financial services. Formal institutions often exclude the poor from the financial system, which further heightens their vulnerability and traps them in a cycle of poverty (Demirgüç-Kunt et al., 2018).
Within that context, Islamic finance represents an alternative model of financial operations that is based on clearly defined ethical principles. The fundamental features of this system include the strict prohibition of interest (riba), which is considered impermissible in classical Islamic legal tradition (El-Gamal, 2006, p. 49-52). Also, the Islamic legal framework forbids transactions involving a high degree of uncertainty and speculation, known as gharar, as these are believed to undermine fairness and the security of contractual relations (El-Gamal, 2006, p. 58-61). In addition, Islamic finance promotes the principles of solidarity and partnership through contractual mechanisms such as mudarabah and musharakah, which entail the sharing of risk and profit among the contracting parties, thereby encouraging responsible, mutually beneficial, and fair economic behavior (El-Gamal, 2006, p. 117-125).
As part of the Sharia economic system, Islamic financial instruments such as zakat, waqf, qard hasan, takaful, mudarabah, and musharakah have the potential to improve access to capital, encourage inclusion, and increase household resilience (Iqbal & Mirakhor, 2011, p. 91-130). This paper aims to explore the role of Islamic financial instruments in strengthening the economic resilience of households in developing countries, with a focus on examples from Malaysia, Indonesia, Sudan, and Bosnia and Herzegovina. The key research question is: In what ways do Islamic financial instruments contribute to the economic resilience of households in developing countries? In addition to its theoretical contribution, the paper also aims to offer practical recommendations for improving policies in countries seeking to utilize Islamic instruments as part of their sustainable development strategies.

THEORETICAL-ANALYTICAL APPROACH AND COMPARATIVE ANALYSIS

With the aim of a deeper examination into the functionality and developmental capacities of Islamic financial instruments, particularly regarding the enhancement of household economic resilience in developing countries, this research employs a theoretical-analytical approach. The analytical framework of the study is grounded in contemporary theoretical and empirical contributions from the field of Islamic finance, which emphasize the need for models based on ethics, equitable resource distribution, and the connection between the financial sector and real economic flows. Particular emphasis is placed on participatory financing forms, such as musharakah and mudarabah, which are recognized as potentially effective mechanisms for developing small and medium enterprises, enhancing entrepreneurial dynamics, and reducing inequality (Ali, 2014, p. 9-24). A comparative analysis of institutional arrangements from various national contexts confirms that Islamic finance, if normatively and regulatorily well-established and adapted to local conditions, can represent a powerful instrument for economic development and social inclusion. Additionally, the study highlights the development and implementation of redistributive instruments such as zakat, waqf, and qard hasan, which contribute to social stability, strengthen household resilience, and reflect core ethical and cultural values of the Islamic community (Ali, 2014, p. 89-108).

For a deeper analysis of institutional models, four countries representing different development paths have been selected: Malaysia, Indonesia, Sudan, and Bosnia and Herzegovina. Malaysia stands out due to the institutional integration of Islamic banking within its national financial system, supported by strong regulatory infrastructure and legislative solutions that enable the harmonized functioning of Sharia-compliant instruments (Iqbal & Mirakhor, 2011, p. 129-136). Indonesia has developed a decentralized approach, in which local religious and social organizations play a significant role in providing microfinance services, enhancing the inclusion of vulnerable groups, and relying on networks of trust and solidarity (Iqbal & Mirakhor, 2011, p. 134-136). Sudan stands out with the transformation of traditional instruments such as waqf into modern institutional forms for financing education, healthcare, and infrastructure (El-Gamal, 2006, p. 95-97). Bosnia and Herzegovina represents a unique case within the European context, as a secular state with a pluralistic legal system, in which Islamic financial institutions operate according to local regulations, yet strive to preserve Sharia principles, particularly in areas of microfinance and social entrepreneurship (Mešković & Aydin, 2018, p.17).

The analysis relies on qualitative data obtained through content analysis, with a focus on institutional structure, fund management, transparency, user profiles, and social impact. Factors influencing successful implementation, including political support, the level of digitalization of processes, and the availability of trained personnel, are also examined. According to World Bank reports (2020, p. 21-27), institutional capacity and regulatory clarity have a crucial impact on user trust and the effectiveness of instruments. Although this research does not use primary sources such as interviews or surveys, it draws upon extensive secondary literature, enabling the formulation of valid conclusions. UNDP (2017, p. 7-13) also highlights that Islamic instruments such as zakat and waqf can have a transformative effect on reducing poverty and increasing resilience, particularly in communities traditionally excluded from the formal financial system.

This theoretical-analytical and comparative framework allows Islamic financial instruments to be viewed not merely as religious norms but as practical tools for creating a more inclusive, equitable, and resilient financial system. Insights drawn from comparative practice offer guidelines for future policy interventions and sustainable development strategies, particularly within the context of marginalized communities in developing countries.

ZAKAT AND WAQF: PILLARS OF SOCIAL SECURITY

Zakat and waqf represent key pillars of Islamic social finance, whose functions include promoting economic justice, reducing poverty, and strengthening community resilience. Their role transcends the spiritual aspect; they are institutional tools for the equitable redistribution of wealth, enabling a more inclusive and sustainable social protection system (Iqbal & Mirakhor, 2011, p. 91-102). Zakat, an obligatory contribution from wealthy Muslims, has a clearly defined function within the Islamic economic system. The eight categories of recipients defined in the Qur'an represent groups typically facing existential risks. Iqbal and Mirakhor (2011, p. 97-100) emphasize that zakat is not merely a charitable donation, but a systemic instrument of social redistribution. It is utilized to reduce inequality, stimulate consumption among the poor, and stabilize local economies, particularly during periods of crisis.

Waqf, as the voluntary dedication of assets for public or humanitarian purposes, complements the role of zakat by ensuring long-term sustainability. Waqf assets are removed from private ownership and used to finance schools, hospitals, libraries, roads, and other projects. El-Gamal (2006, p. 58-63) notes that waqfs in classical Islamic society served as primary providers of social infrastructure and stable community income, significantly contributing to education and healthcare.

Contemporary examples of the successful institutionalization of these two instruments confirm their effectiveness. In Malaysia, the zakat system is integrated into state structures at the federal-unit level, featuring high transparency and digitized mechanisms. According to the World Bank (2020, p. 5-6), zakat funds are utilized to support the poor through education, self-employment initiatives, and healthcare. Waqfs invest in commercial projects, with generated income directed toward the maintenance and development of services.

In Sudan, traditional waqf models have been revitalized and adapted to local needs. UNDP (2017, p. 8-10) notes that waqf funds finance essential services in rural areas, including drinking water, basic education, and primary healthcare. However, political instability and weak regulatory frameworks limit their long-term sustainability.

Bosnia and Herzegovina represents a unique case in the European context. Although it has a rich tradition of waqf, its potential remains underutilized. According to Omerčić (2018), the Waqf Directorate operates without adequate legal and institutional support, which limits its developmental role. A lack of tax incentives and poor coordination with state institutions further complicate the inclusion of waqf in contemporary processes. Instead of becoming an active participant in sustainable development, waqf remains confined within the Islamic community framework (Omerčić, 2018, p. 87-99).

Common denominators of successful models include a clear legal framework, institutional transparency, community trust, and professional fund management. The World Bank (2020, p. 6) and UNDP (2017, p. 9) emphasize that these factors enable the full utilization of the potential of Islamic instruments for economically empowering marginalized groups. The combination of zakat as an emergency aid mechanism and waqf as a long-term resource creates a synergistic model of social security. When properly institutionalized and integrated with development policies, these two instruments can significantly contribute to poverty reduction, greater financial inclusion, and the strengthening of household resilience, particularly in countries facing structural economic challenges (Iqbal & Mirakhor, 2011, p. 134-135).

QARD HASAN: INTEREST-FREE SUPPORT IN CRISIS SITUATIONS

Qard hasan, which translates to "benevolent loan," represents an interest-free credit extended to recipients based on trust, without any additional charges apart from the obligation to repay the principal amount. This form of financial assistance occupies a central position in Islamic microfinance, as it aligns with the fundamental Sharia principles prohibiting interest (riba) and encouraging social solidarity and mutual support (Obaidullah & Khan, 2008, p. 19-21). As a charitable instrument, qard hasan is not treated as a commercial transaction, but rather as a moral obligation of the wealthy towards those in need. Its purpose is not profit, but providing assistance during crisis situations, covering essential expenses, and supporting the poor and vulnerable. This model is particularly useful in microfinance as it allows access to capital without additional financial burdens, which is crucial for populations that do not qualify for conventional loans (Obaidullah & Khan, 2008, p. 20). Ahmed (2004) emphasizes that qard hasan is particularly relevant in developing countries, where high interest rates and unfavorable lending conditions exacerbate poverty. It is used to meet basic needs such as healthcare, education, and the launching of micro-businesses, thereby contributing to the empowerment of marginalized groups (Ahmed, 2004, p. 13-16).

In practice, qard hasan has been successfully implemented in Indonesia through organizations such as Baitul Maal wat Tamwil (BMT). Ascarya (2014) notes that these institutions collect funds through voluntary donations and use them to provide interest-free loans to recipients from low-income households. The effectiveness of the model is reflected in the high loan repayment rate, which confirms the presence of strong moral norms within the community. Beneficiaries often receive non-financial support as well, including education and counseling, which further enhances the impact of the assistance (Ascarya, 2014, p. 52-66).

A similar model exists in Malaysia, where qard hasan funds are integrated into the corporate social responsibility (CSR) frameworks of Islamic banks. Dusuki and Abdullah (2011) emphasize that such programs serve as a strategic tool for building client trust and preserving the ethical identity of Islamic banking. In this way, banks not only fulfill religious mandates but also actively demonstrate social responsibility by supporting the poor, students, the unemployed, and women (Dusuki & Abdullah, 2011, p. 37).

Nevertheless, despite its advantages, qard hasan faces institutional and operational challenges. A lack of professionalism, weak management, lack of transparency, and poor oversight represent weaknesses that can undermine the effectiveness and sustainability of microfinance institutions based on this model (Obaidullah, 2005, p. 6). Still, qard hasan remains one of the most ethical and effective instruments in Islamic finance.

TAKAFUL: ISLAMIC MODEL OF MUTUAL INSURANCE

Takaful represents the Islamic alternative to conventional insurance, developed in response to legal and ethical prohibitions in Islam, primarily riba (interest), gharar (uncertainty), and maysir (speculation) (Ayub, 2007, p. 44-61). Instead of risk being transferred to the insurer, as in conventional models, takaful is based on the principles of mutual assistance (taʿāwun) and voluntary contribution (tabarruʾ), whereby participants collectively cover incurred losses (Society of Actuaries, 2022, p. 2). In the takaful model, participants contribute to a common fund from which claims are paid, while the fund is managed by an operator who acts under a fee-based model (wakala) or profit-sharing arrangement (mudarabah) (BNM, 2019, p. 1-2). In this way, Sharia-prohibited elements are avoided, while still providing financial protection against risks such as illness, death, or loss of property.

Malaysia is at the forefront of takaful implementation. Bank Negara Malaysia has developed a comprehensive regulatory framework that defines relationships among participants, fund management, surplus distribution, and business transparency (BNM, 2019, p. 4-20). Companies such as Etiqa Takaful and Syarikat Takaful Ikhlas offer a wide range of products, including life and property insurance, as well as microinsurance targeted at socially vulnerable population groups.

In the context of developing countries, takaful can play an important role in strengthening household resilience, particularly where conventional models are inaccessible due to high premiums, low financial literacy, and a lack of trust in institutions (Dusuki & Abdullah, 2011, p. 30-35). Takaful offers potential for building social cohesion and economic security, thus contributing to the realization of the higher objectives of Sharia – protection of life, property, and dignity (Ayub, 2007, p. 420-422). However, the implementation of the takaful model faces a number of challenges, notably limited user awareness of the benefits of Islamic insurance, a shortage of qualified personnel trained in Sharia-compliant operations, and inconsistent regulatory frameworks across different jurisdictions. Additionally, Obaidullah warns of the risk of formalism – where products are marketed under the name of takaful that formally meet Sharia requirements but are, in essence, indistinguishable from conventional models (Obaidullah, 2005, p. 85). Takaful is not merely a financial instrument, but a social mechanism that promotes solidarity, fairness, and collective responsibility. Its further advancement depends on strong institutional support, regulatory consistency, and ongoing community education (Dusuki & Abdullah, 2011, p. 34).

MUDARABAH AND MUSHARAKAH: PARTNERSHIPS FOR MICROENTERPRISE DEVELOPMENT

Mudarabah and musharakah represent key investment instruments in Islamic finance, based on partnership, ethics, and fair distribution of risk and profit. Their distinct feature lies in enabling the financing of entrepreneurial initiatives without interest, thereby eliminating the exploitation of the indebted and encouraging growth in the real sector (Ayub, 2007, p. 319-322). In developing countries, these models are of

particular importance as they provide marginalized groups such as women, youth, farmers, and artisans with access to capital and contribute to local development (Obaidullah, 2005, p. 83-85).
Profit is shared according to a mutual agreement, while losses are borne solely by the investor, except in cases of negligence (Ayub, 2007, p. 323-324). This model benefits talented individuals who lack capital. Musharakah involves joint investment by both partners, where both profit and loss are shared proportionally to their respective contributions (Ayub, 2007, p. 312-316), making it suitable for projects involving shared decision-making.
In Malaysia, the organization Amanah Ikhtiar Malaysia (AIM) uses mudarabah to promote women's entrepreneurship, particularly in rural areas. Women receive capital, training, and mentoring support, which leads to the creation of microenterprises and the empowerment of families (Obaidullah, 2005, p. 83). In Indonesia, musharakah is applied in crafts and agriculture, especially through group projects supported by religious and microfinance institutions. These models enable joint investment and risk sharing, fostering sustainability and solidarity (Obaidullah, 2005, p. 84-85).
The advantage of these instruments lies in eliminating the imbalance between those with capital and those with knowledge. Instead of a creditor–debtor relationship, a partnership is established that promotes trust and shared responsibility (Dusuki & Abdullah, 2011, p. 32-33). This is essential in environments with high levels of poverty and limited access to conventional finance (Khan, 2010, p. 809). However, successful implementation requires an institutional framework – including legal regulation, standardized contracts, and investor protection (Islamic Financial Services Board, 2009, p. 7-9). Additionally, financial literacy and continuous user education are crucial for success (Khan, 2010, p. 810).
The integration of mudarabah and musharakah with support services such as training, marketing, and counseling further increases the chances of success and contributes to the inclusive development of communities (Obaidullah, 2005, p. 86-87). These models are not merely financial tools, but an expression of the Islamic economic philosophy rooted in justice, ethics, and mutual prosperity. Their implementation in developing countries can serve as a powerful mechanism for poverty reduction and the empowerment of marginalized groups (Dusuki & Abdullah, 2011, p. 34-35).

COMPARATIVE PRACTICE: MALAYSIA, INDONESIA, SUDAN, AND BOSNIA AND HERZEGOVINA

A comparative analysis of the application of Islamic financial instruments in Malaysia, Indonesia, Sudan, and Bosnia and Herzegovina shows that the success of their integration depends on institutional capacity, regulatory frameworks, and the level of public awareness. Although all instruments are based on universal Sharia principles, their effectiveness is conditioned by the local context.
Malaysia is a leader in the institutional integration of Islamic instruments. The zakat system is legally regulated and organized through professional institutions in each federal state, under the supervision of a Sharia board and with the use of modern technologies to ensure transparency (Ayub, 2007, p. 395-398). Waqf funds education,

healthcare services, and development projects, and is managed through professional and legally defined structures (Ayub, 2007, p. 406-407).
Indonesia has a decentralized model, where key roles are played by BAZNAS and legally recognized non-governmental organizations that manage zakat and waqf (Ayub, 2007, pp. 401-402). Micro-takaful and qard hasan are widely used in impoverished rural areas, and digitalization and local engagement have contributed to more effective aid distribution and the financing of small businesses (Ayub, 2007, p. 408-410).
Sudan was among the first countries to introduce an Islamic banking system, but the implementation of instruments has been limited by political instability and institutional weakness. Waqf and zakat play an important role in rural areas in the construction of schools, hospitals, and employment generation. However, concerns persist regarding corruption and lack of oversight (Khan, 2010, p. 809-810). Successful local initiatives demonstrate that, with adequate support, these instruments can contribute to economic resilience even under complex conditions.
Bosnia and Herzegovina serves as an example where Islamic financial instruments function almost exclusively within religious organizations, without formal institutional support from the state or integration into public policies. The Islamic Community independently manages zakat and waqf. Although the literature highlights the importance of cooperation between the state and the religious sector for greater effectiveness, such collaboration has yet to be established in Bosnia and Herzegovina (Dusuki & Abdullah, 2011, p. 32-33).
Common success factors include a clear regulatory framework, professional and transparent management, cooperation among key stakeholders, and user education. The absence of any of these elements significantly reduces the reach and effectiveness of the instruments.

DISCUSSION: INSTITUTIONAL INTEGRATION AND CHALLENGES

Although Islamic financial instruments offer significant advantages in terms of economic resilience, their implementation in developing countries faces numerous challenges, particularly concerning institutional integration into existing economic and regulatory systems (Iqbal & Mirakhor, 2011, p. 17). One of the key challenges is the lack of a regulatory and legal framework that would allow for their full institutionalization and inclusion in development strategies. Instruments such as zakat, waqf, qard hasan, and takaful often remain outside the formal regulatory system, which hinders their broader application (Islamic Financial Services Board, 2021, p. 94). The experience of Indonesia shows that the absence of a consistent regulatory approach can slow institutional development and the integration of these instruments into broader economic policies (Syarif, 2019, p. 80). These organizations often operate on the margins, without institutional support, tax incentives, or access to public funds (Obaidullah, 2005, p. 12).
Another challenge is weak coordination between the state, religious, and civil sectors. Islamic institutions often function in isolation and without integration into development policy, leading to duplicated efforts and inefficient resource allocation

(UNDP, 2017, p. 16). In contrast, Malaysia and Indonesia demonstrate that with institutional cooperation and strategic support, Islamic instruments can have systemic relevance and measurable impact (Syarif, 2019, p. 81). The third challenge is low financial literacy. Populations in rural and marginalized communities are often unfamiliar with concepts such as mudarabah, qard hasan, or takaful, which limits their application (Barus et al., 2024). Without educational and informational campaigns, broader user engagement is difficult to achieve.

The fourth challenge is insufficient digitalization. According to Obaidullah (2005, p. 19), most Islamic financial institutions in developing countries still rely on manual procedures and paper documentation, which hampers transparency and scalability. Successful models from Malaysia utilize IT tools such as online zakat collection platforms and microfinance applications, confirming the potential of digital transformation (Abdul Khir et al., 2025, p. 139). Additional challenges include limited human resources, political instrumentalization of religious funds, and the lack of a standardized international approach to Islamic finance (Iqbal & Mirakhor, 2013, p. 93). In countries with stable institutions, Islamic instruments demonstrate significant potential in reducing poverty and promoting microentrepreneurship (UNDP, 2017, p. 18). In contrast, in countries with weak infrastructure and no systemic support, these instruments remain confined to local initiatives with limited broader impact.

Successful institutional integration requires a multisectoral approach involving religious authorities, policymakers, the IT sector, and civil society. Only through the synergy of normative, operational, and educational frameworks can the full potential of these instruments be realized (Iqbal & Mirakhor, 2011, p. 23).

RECOMMENDATIONS FOR SYSTEM IMPROVEMENT

Based on the previously analyzed theoretical foundations, institutional practices, and challenges in the implementation of Islamic financial instruments across different countries, concrete recommendations can be drawn with the aim of improving existing systems and increasing their efficiency, sustainability, and impact on household economic resilience. Development of a clear regulatory framework

One of the key steps toward improving the system is the establishment of a comprehensive legislative framework that clearly defines the status, functions, and responsibilities of Islamic financial institutions. This includes legal recognition of organizations managing zakat, waqf, qard hasan funds, and takaful programs, as well as enabling their equal inclusion in broader economic and development policies (Iqbal & Mirakhor, 2011, p. 215-217). The regulatory framework should contain clear guidelines for fund management, user protection, tax incentives for donors, and oversight of the transparency and effectiveness of these institutions.

1. Increasing financial literacy

Given that a large number of potential users of Islamic financial instruments are unfamiliar with their functions and benefits, it is essential to implement national and local financial literacy campaigns (Barus et al., 2024, p. 18-19). Educational programs should be made available in schools, universities, local communities, and religious institutions, in order to promote the principles of Islamic finance, highlight the differences from conventional models, and demonstrate the practical benefits for individuals and families (Obaidullah, 2005, p. 44). The use of visual and digital content, workshops, and public forums can significantly contribute to engaging a broader population and dispelling misconceptions about the “inefficiency” of faith-based financial instruments (UNDP, 2017, p. 12-15).

2. Digitalization of processes and institutional transparency

To enhance accessibility, efficiency, and accountability in the management of Islamic financial instruments, it is essential to digitalize key processes – from the receipt of funds and user registration to tracking fund utilization and reporting to donors and the public (Abdul Khir et al., 2025, p. 139-140). Developing mobile applications for zakat payments, interactive databases for waqf properties, online platforms for microfinance services, and digital tools for monitoring and evaluation would contribute to the modernization of the sector and reduce administrative burdens (Islamic Financial Services Board, 2021, p. 25-28). Transparent data management increases user trust and facilitates coordination among stakeholders (Abdul Khir et al., 2025, p. 139-140).

3. Establishing cooperation between sectors

Effective implementation of Islamic financial instruments requires synergy among religious institutions, government bodies, non-governmental organizations, and the private sector. It is recommended to establish councils or working groups that bring together representatives of all relevant stakeholders to harmonize policies, plan joint initiatives, and exchange experiences (Iqbal & Mirakhor, 2011, p. 198-200). At the local level, collaboration may include joint development projects, such as the construction of schools, training centers, and healthcare facilities that are financed through waqf funds, with technical and logistical support provided by the state and civil society (UNDP, 2017, p. 9-13). If well-coordinated, such models of cooperation can generate systemic effects that go beyond the capacities of individual organizations (Iqbal & Mirakhor, 2011, p. 199).

4. Integration of Islamic instruments into national development strategies

For Islamic financial instruments to become part of systemic solutions to issues such as poverty, unemployment, and inequality, they must be explicitly included in national strategies for economic development, employment, and social inclusion (Syarif, 2019, p. 79). Governments should recognize the potential of these instruments as a complement to existing systems of social protection and economic support. For example, qard hasan funds can be integrated into public self-employment programs, while zakat funds can be directed toward strategic sectors such as education, digital literacy, and rural development (Obaidullah, 2005, p. 80-85). This, however, requires not only political will but also institutional readiness for innovation and inclusiveness in the policymaking process (UNDP, 2017, p. 10-15). The recommendations presented in this paper aim to bridge the gap between the potential and the current reality of Islamic financial instruments. Their proper implementation can significantly contribute to strengthening household economic resilience, but only if efforts are made to integrate them into institutions, legislative frameworks, educational programs, and development policies. Only in this way can Islamic finance become a sustainable pillar of inclusive and equitable development in developing countries.

CONCLUSION

Islamic financial instruments represent a significant resource for strengthening household economic resilience in developing countries. Rooted in the ethical and legal principles of Islam, these instruments offer sustainable and equitable mechanisms of financial support aimed at vulnerable groups (Iqbal & Mirakhor, 2013, p. 8-11). Zakat and waqf facilitate wealth redistribution and the financing of socially beneficial projects. Their integration contributes to local development and the strengthening of social cohesion (Iqbal & Mirakhor, 2013, p. 9-11). Qard hasan, as an interest-free loan, provides emergency support without additional financial burden, relying on solidarity and trust within the community (Obaidullah, 2005, p. 44, 80-85). Takaful offers an affordable insurance model based on mutuality, which is particularly valuable for households excluded from the conventional system (Islamic Financial Services Board, 2021, p. 29). Mudarabah and musharakah support the development of microenterprises through participatory investment, especially in rural areas and among women (Syarif, 2019, p. 81). Comparative practices from Malaysia and Indonesia show that the success of these instruments depends on a sound legal framework, institutional support, and professional management (Abdul Khir et al., 2025, p. 139), while the example of Bosnia and Herzegovina highlights the challenges posed by the lack of systemic regulation (UNDP, 2017, p. 9-13). Islamic financial instruments are not a universal solution, but they offer sustainable alternatives for inclusive development. Their broader application requires institutionalization, digitalization, education, and cross-sector cooperation. With adequate support and strategic integration, these instruments can become a cornerstone of social security and more balanced economic growth.

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REZIME

Rad istražuje kako islamski finansijski instrumenti mogu doprineti jačanju ekonomske otpornosti domaćinstava u zemljama u razvoju, posebno u kontekstima obeleženim siromaštvom, socijalnom isključenošću i ograničenim pristupom konvencionalnim finansijskim uslugama. Kroz teorijsko-analitički okvir i uporednu analizu, studija se fokusira na instrumente kao što su zekat, vakuf, kard hasan, takaful, mudaraba i mušaraka. Razmatraju se njihovi konceptualni temelji, operativni modeli i praktična primena u zemljama poput Malezije, Indonezije, Sudana i Bosne i Hercegovine. Posebna pažnja posvećena je načinu na koji ovi instrumenti funkcionišu kao mehanizmi etičke preraspodele bogatstva, podrške ranjivim kategorijama stanovništva i podsticanja lokalnog ekonomskog razvoja. Nalazi ukazuju na to da pravilno institucionalizovani i adekvatno regulisani islamski finansijski instrumenti mogu imati značajan uticaj na unapređenje održivog razvoja, finansijske inkluzije i socijalne sigurnosti. Njihova uloga u podršci mikropreduzećima, obrazovanju, zdravstvu i očuvanju ekonomske stabilnosti zajednica pokazuje njihov širi razvojni potencijal. U radu se predlaže njihova integracija u okvire javnih politika kroz digitalizaciju, unapređenje finansijske pismenosti i jačanje međusektorske saradnje, kako bi se doprinelo izgradnji pravednijeg, otpornijeg i inkluzivnijeg ekonomskog sistema sposobnog da odgovori na savremene globalne izazove.