

## HOW ISLAMIC SOCIAL FINANCE BOOSTS PSYCHOLOGICAL WELL-BEING?

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**ABSTRACT** – While the economic impact of Islamic social finance (ISF) is increasingly acknowledged, its potential contribution to psychological well-being remains underexplored. This study investigates the relationship between ISF practices (Zakat, Infaq, Sadaqah, Waqf) and psychological well-being. Using a qualitative descriptive approach, the study undertakes a comprehensive review of existing literature, encompassing books and national and international journal articles. Findings demonstrate a strong correlation between ISF and various dimensions of psychological well-being, including self-acceptance, positive relationships, autonomy, environmental mastery, life goals, and self-development. This positive association is attributed to ISF's central role in achieving *Falah* (spiritual prosperity) within the *maqashid al-sharia* (objectives of Islamic law) framework, fostering social justice and shared prosperity conducive to individual well-being. The study recommends that philanthropic institutions prioritize enhancing service quality in collecting and distributing ISF funds to maximize their positive impact on psychological well-being within the community.

**Keywords:** Islamic social finance, psychological well-being, Zakat, Infaq, Sadaqah, Waqf, maqashid al-sharia.

**ABSTRAK** – *Bagaimana Keuangan Sosial Syariah Meningkatkan Kesejahteraan Psikologis?*

Meskipun dampak ekonomi keuangan sosial syariah (KSS) semakin diakui, potensinya terhadap kesejahteraan psikologis masih belum banyak dieksplorasi. Studi ini bertujuan untuk mengkaji hubungan antara praktik KSS (Zakat, Infak, Sedekah, Wakaf) dengan kesejahteraan psikologis. Dengan pendekatan deskriptif kualitatif, studi ini melakukan tinjauan literatur yang komprehensif dengan menganalisis sejumlah buku dan artikel, baik dari jurnal nasional maupun internasional. Temuan menunjukkan hubungan yang erat antara KSS dan berbagai dimensi kesejahteraan psikologis, meliputi penerimaan diri, hubungan positif, otonomi, penguasaan lingkungan, tujuan hidup, dan pengembangan diri. Hubungan positif ini tidak terlepas dari peran sentral KSS dalam mencapai *Falah* (kesejahteraan spiritual) dalam kerangka maqasid syariah (tujuan hukum Islam), mendorong keadilan sosial, dan meningkatkan kemakmuran bersama yang kondusif bagi kesejahteraan individu. Studi ini merekomendasikan agar lembaga filantropi memprioritaskan peningkatan kualitas layanan dalam pengumpulan dan pendistribusian dana KSS untuk memaksimalkan dampak positifnya terhadap kesejahteraan psikologis masyarakat.

**Kata Kunci:** Keuangan sosial Islam, kesejahteraan psikologis, Zakat, Infak, Sedekah, Wakaf, maqasid syariah.

## INTRODUCTION

Indonesia, the fourth most populous nation globally, has witnessed substantial growth in its Islamic financial sector, primarily driven by its predominantly Muslim population. This progress is reflected in the increasing number of Islamic financial institutions and Indonesia's top ranking in the Islamic Finance Country Index (IFCI) according to the Global Islamic Finance Report 2021 (Fahrullah, 2021). A key contributor to this achievement is the vibrant Islamic social finance (ISF) sector in Indonesia, which includes voluntary contributions like *zakat*, *infaq*, *sadaqah*, and *waqf* (ZISWAF) (Sakti & Abilawa, 2007). These instruments operate alongside conventional financial systems, distinguishing the Islamic economic framework from its traditional counterpart.

Islamic social finance integrates both spiritual and social dimensions. The spiritual aspect involves adherence to Allah's commands, while the social aspect is reflected in mutual assistance and respect among individuals. Additionally, ISF aligns with the Sustainable Development Goals (SDGs) and *maqashid al-sharia*, aiming to distribute wealth, reduce poverty, and promote income equality (Trimulato & Rahmatia, 2022). The distribution of wealth through ZISWAF aims to bring justice and prosperity to society, addressing individual, familial, and public social objectives, thus fostering welfare and empowerment within the community (Al-Ayubi & Halawatuddu'a, 2021).

Central to the Islamic economic system is the concept of *falah*, which signifies victory, happiness, and success in both this world and the hereafter (Su'ud, n.d.). The concept of *falah* and happiness is complex and challenging to define and measure. However, scholars universally agree that the goal of all human endeavors, whether at the personal or community level, is to achieve well-being and happiness. In Islam, well-being and happiness are crucial for the progress of individuals and society. This encompasses the aspiration for happiness in both this world and the hereafter. A developed nation is one that can ensure prosperity and happiness for its people by fulfilling the objectives of *maqasid al-Sharia*. This embodies the concept of a prosperous state (*baldatun tayyibah*) as envisioned by Allah (Nasrulloh, 2021).

Achieving *falah* is linked to *maqashid al-sharia*, which includes the protection of religion (*hifzd al-din*), soul (*hifzd al-nafs*), intellect (*hifzd al-'aql*), lineage (*hifdz al-nasl*), and wealth (*hifzd al-maal*) (Khatib, 2018). Reason and the psyche, closely related to psychological well-being, are essential for preserving



these elements. Every Muslim aspires to achieve *falah*, which, in psychological terms, correlates with well-being—a state where individuals realize their potential and contribute meaningfully to society.

Despite the recognized socio-economic benefits of ISF, there is a notable research gap concerning its impact on psychological well-being. Previous studies have primarily focused on material welfare and ISF's alignment with SDGs and *maqashid al-sharia* (Umar et al., 2022; Shuaib & Sohail, 2022; Ismail & Aisyah, 2022; Azman & Ali, 2019; Tok et al., 2022; Zain & Ali, 2017). However, the intricate relationship between ISF practices and individual psychological well-being, especially in the Indonesian context, remains underexplored.

This study aims to address this gap by investigating the role of ISF in fostering psychological well-being, which includes dimensions such as self-acceptance, positive relationships, autonomy, environmental mastery, life goals, and self-development (Ryff, 1989). By examining ZISWAF practices and their impact on these dimensions, this research offers a novel perspective on the broader implications of ISF beyond economic and social benefits.

Understanding the connection between ISF and psychological well-being is essential, as well-being and happiness are critical for individual and societal progress. A developed country ensures the prosperity and happiness of its people by achieving *maqashid al-sharia*, thus embodying the concept of a prosperous state (*baldatun tayyibah*) (Nasrulloh, 2021).

Previous research has demonstrated that Islamic social finance plays a crucial role in society and has the potential to reduce poverty and inequality (Jouti, 2019; Zuchroh, 2021). However, the focus has largely been on material well-being, with limited exploration of psychological well-being. Therefore, this study seeks to fill this gap by exploring the impact of ISF on psychological well-being, providing insights into how ISF can contribute to holistic development.

The results of this research are expected to offer a deeper understanding of the importance of ISF in enhancing psychological well-being. The findings can inform policymakers and Islamic social financial institutions in developing strategies to improve their functions and services, ultimately benefiting society as a whole. This study aims to contribute significantly to the development of



Islamic financial institutions and the broader understanding of ISF's role in promoting comprehensive well-being.

## LITERATURE REVIEW

### Islamic Social Finance

Islamic social finance, a component of Islamic finance, involves the allocation of community funds for socio-environmental purposes, adhering to fixed schemes based on Islamic principles and laws (Azman & Ali, 2016). It mirrors conventional social finance but is strictly governed by Shariah principles (Zain & Ali, 2017). Mohammed and Fedad describe Islamic social finance as a branch of Islamic finance offering non-profit products and services aimed at achieving social justice through wealth redistribution. Often referred to as 'Islamic social safety nets,' it is considered part of the charitable sector (M. K. Hassan et al., 2021). Islamic social finance is sourced from *zakat*, *infaq*, *sadaqah*, and *waqf* funds (ZISWAF) contributed by the community for social welfare (Kuanova et al., 2021).

Zakat is an obligatory amount of property required by Allah to be given to those eligible to receive it (*mustahiq*). It aims to bless and purify the soul, and promote societal prosperity (Qaradawi, 2020). Zakat addresses welfare inequality by empowering the poor through the redistribution of wealth from more affluent community members to vulnerable groups, thereby improving their welfare (Furqani et al., 2018).

*Infaq* is a voluntary donation given to those in need without any set amount or time constraints. It can be given at any time and in any amount, such as disbursing assets to orphans or needy individuals (Hafidhuddin, 1998). *Infaq*, or *nafaqah*, involves material support for fellow Muslims and can refer to *zakat*, *sadaqah* (alms), or general charitable giving. It is a fundamental pillar of the Islamic economic system and represents the financial support given for societal benefit as encouraged in the Qur'an and Sunnah (Anggoro, 2018).

*Sadaqah* also means giving a portion of one's property or income voluntarily. While *zakat* is obligatory based on *nisab*, *sadaqah* and *infaq* are not. Despite being physically lost, *sadaqah* is believed to grow and bring multiple rewards and blessings, signifying that wealth given away will grow and develop in reward and sustenance (Intansaputri et al., 2022).



*Waqf* refers to the holding and preserving of property for philanthropic purposes, prohibiting its use outside its intended objective. Historically, *waqf* has played a significant role in the development of social, economic, educational, and cultural activities, advancing civilization and providing social welfare services globally (Kahf, 2003; Zauro et al., 2020).

Islamic teachings provide comprehensive guidelines for addressing various issues, including economic problems, through methods known as *ushul al-fiqh*. Central to these teachings is *maqasid al-sharia*, which aims for the ultimate benefit through the establishment of laws. *Maqasid al-sharia* includes five essential elements: the maintenance of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-aql*), lineage (*hifz an-nasl*), and property (*hifz al-maal*) (Al-Ghazali, 2000; Badawi, 2000). These elements are vital for human life and preventing harm (*mafsadah*), thus they must be preserved.

### **Psychological Well-being**

Psychological well-being is a state of optimal mental functioning that individuals must continuously strive to achieve. The World Health Organization (WHO) defines health not merely as the absence of diseases but also as a state of physical, social, and psychological well-being (Eryilmaz & Kula, 2020). Achieving psychological well-being is essential for individuals to reach their full potential as human beings, with a harmonious unity of body and soul. A healthy body and mind enable individuals to attain a higher level of overall well-being.

Various studies have explored the concept of well-being, seeking to answer the question, "How can a person be happy?" These studies have examined well-being from different perspectives, including overall health (Myers et al., 2000), subjective well-being (Diener, 1984), psychological well-being (Delle Fave & Bassi, 2009; Ryff, 1989; Ryff & Keyes, 1995), and subjective happiness (Lyubomirsky & Lepper, 1999).

Ryff (1989) defines psychological well-being as a condition in which individuals accept themselves as they are, form warm relationships with others, maintain independence in the face of social pressures, control their external environment, find meaning in life, and continuously realize their potential. Ryff and Keyes (1995) further break down psychological well-being into six dimensions: self-acceptance, positive relations with others, autonomy, environmental mastery, purpose in life, and personal growth. These



dimensions, derived from theories of positive functioning (Maslow, 1950; Rogers, 1963; Jung, 2005; Allport, 1961), development (Erikson, 1959; Bühler, 1968; Neugarten, 1973), and mental health (Jahoda, 1958), represent the unique challenges individuals must confront in their pursuit of positive functioning. Ryff and Singer (2003) highlight several factors that significantly influence the dimensions of psychological well-being, including age, gender, socioeconomic status, social support, religiosity, and personality. By enhancing these dimensions, individuals can improve their overall psychological well-being.

In line with the aforementioned theories and supporting research, it is evident that well-being is a crucial aspect of an individual's life. One way to achieve well-being is through Islamic social finance (Furqani et al., 2018; Shuaib & Sohail, 2022; Jouti, 2019; Wahib, 2022). By incorporating the principles of Islamic social finance, individuals can work towards attaining psychological well-being and, ultimately, a more fulfilling life.

### **Maqashid al-Sharia and Psychological Well-being**

The five fundamental principles of *maqashid al-sharia-hifz al-din* (preservation of religion), *hifz al-nafs* (preservation of life), *hifz al-aql* (preservation of intellect), *hifz an-nasl* (preservation of lineage), and *hifz al-maal* (preservation of wealth)—provide a comprehensive framework for understanding the interconnectedness of spiritual, psychological, and societal well-being in Islam.

*Hifz al-din* (preservation of religion) is the foundational element of *maqashid al-sharia*. Fulfilling religious obligations, including those related to wealth, such as *zakat*, *infaq*, and *sadaqah*, directly contributes to spiritual well-being (Battal & Ibrahim, 2023). This aligns with the Quranic verses emphasizing the purifying effect of Islamic social finance on both wealth and the soul (Quran 9:103, 2:262). *Hifz al-nafs* (preservation of life) extends beyond physical sustenance to encompass psychological and emotional well-being. Ensuring that basic needs are met, preventing hardship, and fostering a sense of security are crucial for safeguarding mental health. Islamic social finance, through its emphasis on social justice and poverty alleviation, directly contributes to this objective.

The concept of *hifz al-aql* (preservation of intellect), which translates to the preservation of intellect, serves as a fundamental distinction between humans and animals. This is due to the fact that reason and intellect are considered to



be divine gifts bestowed upon humanity by Allah. These very faculties empower humans to fulfill their designated role as khalifah, or stewards, upon the Earth. Protecting and nurturing the intellect requires creating an environment conducive to learning, critical thinking, and emotional regulation. Islamic social finance, by promoting financial literacy and ethical decision-making, contributes to this preservation. *Hifz an-nasl* (preservation of lineage), as envisioned within Islamic thought, extends beyond mere procreation. It encompasses the responsibility to ensure the well-being of future generations by addressing their physical, emotional, and spiritual needs. Islamic social finance, through its focus on intergenerational wealth transfer and the promotion of sustainable development, serves as a crucial instrument in fostering the long-term well-being of families and communities.

Finally, the concept of *hifz al-maal* (preservation of wealth), carries a more profound significance within Islamic tradition than simply material accumulation. While wealth is often viewed through a purely materialistic lens, Islamic teachings emphasize ethical acquisition, responsible financial management, and the utilization of wealth for the betterment of both oneself and society. By adhering to these principles, individuals can not only achieve financial stability but also contribute to the establishment of a more just and equitable society, ultimately promoting psychological well-being for all.

## METHODOLOGY

### Research Design

This research employs a qualitative descriptive approach, specifically a literature review method. A literature review involves a systematic examination of existing scholarly publications to understand a particular topic (Zed, 2008). It allows for the identification of key themes, research gaps, and the development of a foundational understanding for further investigation (Kraus et al., 2022; Post et al., 2020).

### Data Collection

Data collection for this study relied on a comprehensive review of academic literature. Relevant sources were identified through searches of online databases, academic journals, and other credible resources. Keywords employed in the search strategy included "Islamic social finance" and "psychological well-being" and their relevant synonyms. Selected literature



met the following inclusion criteria: 1) Relevance - The content directly addressed the research topic of Islamic social finance and its potential impact on psychological well-being, 2) Novelty - The publication offered a recent and insightful perspective on the topic, and 3) Methodological Quality - The research employed a sound and rigorous methodology. A minimum of 25 national and international publications were included in the final analysis.

### **Data Analysis**

A thematic analysis was conducted on the selected literature using qualitative coding software (QDA Miner Lite). This analysis focused on extracting key themes related to both Islamic social finance and psychological well-being. Furthermore, the analysis explored potential relationships and connections between these two concepts. Following the thematic analysis, a synthesis of the findings will be conducted. This synthesis aims to draw comprehensive conclusions on the potential role of Islamic social finance in promoting psychological well-being. The synthesis will be based on the identified themes and any emerging patterns within the reviewed literature.

## **RESULTS AND DISCUSSION**

The concept of Islamic social finance inherently supports the achievement of psychological well-being. This connection is deeply rooted in Islamic teachings, as illustrated in the Holy Qur'an Surah At-Tawbah verse 103, which highlights the purifying effect of Islamic social finance on both wealth and the soul, ultimately leading to tranquility. Furthermore, Surah Al-Baqarah verse 262 reinforces this notion by emphasizing that those who willingly spend their wealth in the path of Allah will be granted freedom from fear and worry. These verses highlight the profound psychological impact of engaging in Islamic social finance practices like *zakat*, *infaq*, and *sadaqah*, positioning them as acts of faith driven by sincerity and a desire to please Allah, rather than mere financial transactions.

This intrinsic motivation aligns with the concept of *fitrah*, the inherent human inclination towards good and virtue. By fulfilling this innate disposition through charitable acts, individuals experience a sense of fulfillment and happiness, fulfilling a fundamental psychological need for altruism and connection, as highlighted by previous research emphasizing the positive impact of Islamic social finance on the soul (M. K. Hassan et al., 2021; Kahf, 2003; Shuaib & Sohail, 2022; Wahib, 2022; Zuchroh, 2021).





Psychological well-being, defined as a state of positive mental health and optimal functioning in personal and social life (World Health Organization, as cited in Eryilmaz & Kula, 2020), is a dynamic process influenced by various factors such as self-perception, socio-economic conditions, and religious beliefs (Nikparvar et al., 2023). Achieving psychological well-being is an ongoing endeavor that allows individuals to function at their full potential, aligning with the Islamic concept of realizing one's *fitrah* as a harmonious being of body and soul.

### **Islamic Social Finance and the Dimensions of Psychological Well-being**

Islamic social finance goes beyond mere financial transactions; it embodies principles of humanity, justice, and virtue, aiming to ensure the social and psychological well-being of all members of society (N. Hassan et al., 2018). This holistic approach aligns with the Islamic concept of *falah*, which encompasses both material and spiritual prosperity.

This study identifies six key dimensions of psychological well-being within the context of Islamic social finance, drawing upon the work of Ryff (1989) and Ryff & Keyes (1995) on psychological well-being, and incorporating relevant Islamic principles and teachings (Figure 1):

#### **1. Self-Acceptance**

Self-acceptance, a multifaceted concept, encompasses an individual's ability to acknowledge their financial situation, recognize their strengths and weaknesses, reconcile with their past experiences of both wealth and hardship, and cultivate a sense of positive self-evaluation and self-worth. Islamic teachings illuminate self-acceptance through the concept of *qana'ah*, which signifies wholehearted acceptance of what Allah (SWT) has bestowed upon an individual. This *qana'ah* fosters an attitude of gratitude, a recognition that all possessions are ultimately gifts from Allah (SWT), whose utilization should be in accordance with His divine will. Thus, the act of willingly expending wealth through *zakat* (obligatory charity), *infaq* (voluntary charity), or *sadaqah* (voluntary alms) serves as a manifestation of self-acceptance.

#### **2. Positive Relationships with Others**

This dimension focuses on fostering positive relationships with others. Individuals with a strong foundation in Islamic social finance principles demonstrate the capacity to cultivate warm and intimate connections,



express love and empathy, and remain mindful of the financial circumstances of those around them. As previously established, Islamic social finance inherently bridges the spiritual and social realms. The social dimension finds expression in the act of caring for others, manifested through a willingness to share resources with those experiencing hardship. Therefore, the utilization of *zakat*, *infaq*, and *sadaqah* serves not only as a form of financial assistance but also as a tool for fostering positive social relations and narrowing socio-economic divides (Indrahadi et al., 2020).

### 3. Autonomy

This dimension emphasizes the ability to independently identify and solve problems, resist external pressures and undue influence, exercise free will in decision-making, and achieve self-sufficiency. Notably, Islamic social finance principles encourage the development of such autonomy. *Zakat*, *infaq*, and *sadaqah* are considered reflections of piety, as outlined in the Quran. Surah Al-Imran verse 134 describes a devout individual as one who possesses the consciousness to share their wealth in the path of Allah, regardless of their financial circumstances (both in an airy and narrow state). This emphasis on conscious giving, during times of both prosperity and hardship, underscores the inherent value of autonomy embedded within Islamic social finance. In essence, *infaq* and *sadaqah* are not solely motivated by external pressures or financial circumstances, but rather represent a manifestation of an individual's inherent autonomy and independence (Quran 3:134).

### 4. Environmental Mastery

This dimension refers to an individual's capacity to develop a comprehensive understanding of their surrounding environment. It further emphasizes the ability to adapt to these circumstances while leveraging one's strengths and capabilities. Islamic social finance principles encourage the creation of communities that function in harmony with environmental conditions and expectations. For instance, the concept of a “*sadaqah* community” or a “*sadaqah* expert movement community” exemplifies this principle. Humans, beyond fulfilling their individual obligations, are entrusted with the responsibility to steward their environment. This responsibility is echoed in the Quran Surah Luqman verse 17, recounts the advice of Luqman al-Hakim to his son. In this verse, Luqman instructs his son to establish prayers (*iqamatissalah*) and to actively promote righteous conduct (*amar ma'ruf*) while forbidding evil (*nahi munkar*). These directives can be interpreted as establishing prayer as a core obligation,



while “*amar ma'ruf*” and “*nahi munkar*” represent an individual's responsibility to cultivate communal well-being (Quran 31:17).

#### 5. Purpose in Life

This dimension emphasizes the individual's pursuit of life's purpose and meaning, ultimately leading to a more fulfilling existence. Central to this pursuit is the belief that *sadaqah* constitutes an act of worship that contributes to achieving the ultimate purpose – life in the Hereafter. As outlined in Islamic teachings, the purpose of life is to attain the pleasure of Allah (SWT), also known as “*mardhatillah*.” Intrinsically, every human being possesses a purpose – the pursuit of happiness. However, ultimate happiness resides within the soul, achieved through experiencing Allah's (SWT) pleasure and self-respect (*radhiatan wa mardiyah*). By fulfilling the obligations of *zakat*, *infaq*, and *sadaqah*, individuals cultivate a deep-seated joy within their souls and draw closer to Allah's (SWT) blessings. Ultimately, these actions contribute to achieving profound happiness, both in the earthly realm and in the eternal Hereafter.

#### 6. Self-Development

The sixth dimension focuses on self-development. Individuals who possess a strong foundation in Islamic social finance principles are driven by a core belief in the purpose and inherent meaningfulness of life. This understanding motivates them to actively participate in *sadaqah* activities, fostering personal growth and development. Engaging in *sadaqah* broadens the scope of their contributions, bringing greater benefit to a wider community. The Islamic concept of *ihsan* embodies the pinnacle of religious practice. It signifies a continuous striving to become the best version of oneself and actively contribute to the betterment of others. The implementation of Islamic social finance principles, through the utilization of *zakat*, *infaq*, or *sadaqah*, fosters the development of individuals who embody this spirit of *ihsan*.



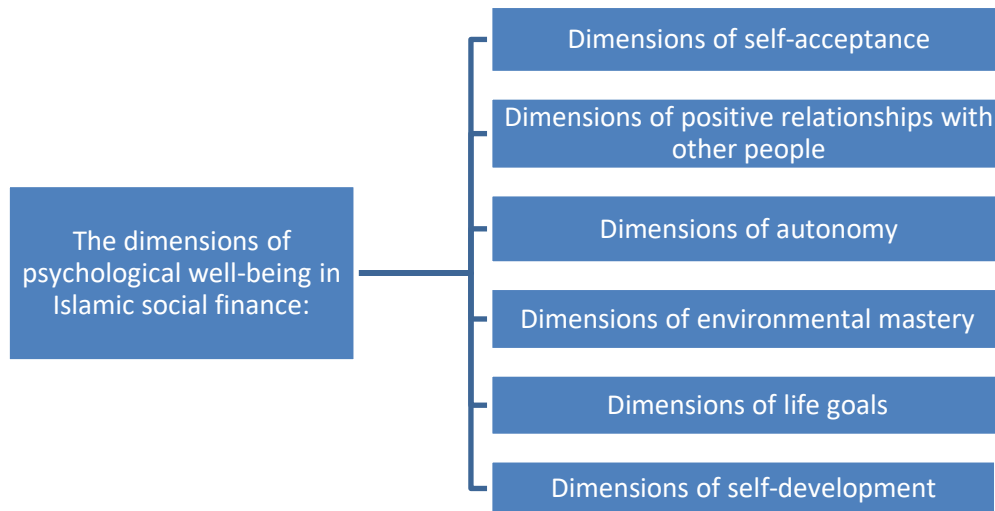


Figure 1. Dimensions of Psychological Well-being

### The Interplay of Psychological Well-being and Islamic Social Finance

Conceptually, the aforementioned dimensions of psychological well-being align with factors influencing individual development, which are crucial for achieving optimal self-actualization (Maslow, 1943). It is theorized that enhancing these dimensions leads to individual flourishing (Ryff & Keyes, 1995). Islamic social finance practices within families and communities, emphasizing humanistic values, can contribute to this process.

Islamic social finance demonstrates a strong connection to psychological well-being as a core component of Islamic economics. This system prioritizes ethical principles, fairness, and balanced financial management (Chapra, 2008). Several factors contribute to this connection:

1. **Distributional Justice**  
The principle of justice in Islamic social finance promotes wealth distribution, fostering a sense of satisfaction and psychological security (Ahmed, 2015; Ibrahim et al., 2022).
2. **Supportive Instruments**  
Diverse Islamic social finance instruments encourage individuals to achieve psychological well-being (Iqbal & Mirakhor, 2017).
3. **Life Balance**



Islamic social finance can establish a balance between material needs and spiritual fulfillment, thereby enhancing psychological well-being (Wilson, 2018; Kamri et al., 2014).

#### 4. Moral Alignment

Engaging in transactions aligned with moral values through Islamic social finance principles can cultivate confidence and peace of mind (Hassan & Lewis, 2016).

Previous studies suggest that Islamic social finance can enhance psychological well-being by promoting a sense of security, justice, and stability (Deza & Sofyani, 2022). Studies have shown a correlation between understanding and practicing Islamic finance principles and reduced financial anxiety and improved psychological well-being (Abd-Aziz et al., 2020). This positive impact extends beyond the individual level, contributing to a more just and equitable society that aligns with the Islamic concept of a prosperous state (*baladun tayyibah*) (Nasrulloh, 2021).

### **The Intersection of Islamic Social Finance and Psychological Well-being**

This study suggests that psychological well-being, within the context of Islamic economics, aligns with the concept of *maqasid al-sharia*, specifically the nurturing of reason (*'aql*) and soul (*nafs*). Achieving psychological well-being supports the realization of *maqasid al-sharia*. When the soul and reason are deprived of flourishing, other aspects of well-being, such as financial security (through the preservation of wealth), become elusive, hindering the achievement of *falah*, the ultimate goal of the Islamic economic system.

This research builds upon existing studies exploring the impact of Islamic social finance on the soul (Hassan et al., 2021; Kahf, 2003; Shuaib & Sohail, 2022; Wahib, 2022; Zuchroh, 2021). Meutia and Febrianti (2017) suggest that individuals can leverage Islamic social finance to contribute not only to financial well-being but also to overall psychological well-being through a multidimensional approach. Widiastuti et al. (2022) further emphasize that promoting social finance principles within Islamic financial practices fosters purposefulness and greater happiness. Exploring the impact of social finance on psychological well-being is crucial, illuminating its potential to positively impact individuals' lives, including overall happiness and social development (Kader, 2021).



Furthermore, incorporating social finance principles within Islamic practices can cultivate a greater sense of social responsibility, fostering an understanding of the impact of individual financial decisions on society and a sense of contribution to the well-being of communities. This integration has the potential to create a more inclusive and sustainable financial system that addresses material needs and promotes psychological well-being (Keshavarzi & Ali, 2019). Islamic social finance, through its emphasis on social justice, serves as a powerful tool for reducing poverty, addressing social and economic inequalities, and contributing to a more sustainable and inclusive society (Eryilmaz & Kula, 2020). This, in turn, benefits the psychological well-being of individuals and contributes to the overall well-being of society.

In conclusion, Islamic social finance inherently supports the attainment of psychological well-being, aligning with Quranic teachings and the principles of *maqasid al-sharia*. By aligning financial transactions with moral values, Islamic social finance fosters confidence, peace of mind, and psychological well-being, ultimately contributing to the Islamic purpose of achieving the pleasure of Allah and attaining happiness in the soul.

### **Promoting Psychological Well-being through Islamic Social Finance**

To fully realize the psychological benefits of Islamic social finance, it is crucial to develop strategies that promote mental well-being, resilience, and overall happiness. This includes:

1. **Promoting Mindfulness and Positive Emotions**  
Encouraging individuals to be present at the moment, cultivate gratitude, and focus on positive aspects of life can enhance psychological well-being.
2. **Fostering a Supportive Social Environment**  
Building strong social connections, creating spaces for open dialogue, and promoting empathy and understanding within families, communities, and Islamic financial institutions can contribute to a greater sense of belonging and support.
3. **Integrating Islamic Teachings on Financial Management**  
Educating individuals on Islamic principles of financial responsibility, such as avoiding excessive debt and investing ethically, can alleviate financial stress and promote a sense of control over one's financial well-being.
4. **Highlighting the Spiritual Rewards of ISF**



Emphasizing the spiritual benefits of *zakat*, *infaq*, and *sadaqah*, such as gaining Allah's pleasure and attaining blessings in this life and the Hereafter, can motivate individuals to engage in these practices with greater sincerity and intention.

## **Research Implications**

Based on the findings, several research implications hold particular relevance for various stakeholders including policymakers, Islamic financial institutions, mental health professionals, Islamic scholars and educators, and individuals and families. The implications for each are explored in the subsequent discussion:

### *Policymakers*

Policymakers should consider incorporating psychological well-being indicators into the evaluation and design of social welfare programs, financial inclusion initiatives, and economic development strategies. This includes recognizing the role of Islamic social finance in promoting social justice, reducing inequality, and fostering a sense of security and belonging within communities. Further, allocating funding for research exploring the impact of Islamic social finance on mental health outcomes, particularly within vulnerable populations, can provide valuable insights for developing targeted interventions and policies.

### *Islamic Financial Institutions*

Islamic financial institutions can develop innovative products and services that not only meet the financial needs of their clients but also promote their psychological well-being. This could include offering ethical investment options, financial literacy programs that incorporate Islamic values, and microfinance initiatives that empower individuals and communities. Moreover, incorporating Islamic social finance principles into corporate social responsibility initiatives can create a more meaningful impact on the well-being of communities. This could involve supporting educational programs, healthcare initiatives, and poverty alleviation projects that align with Islamic values.

### *Mental Health Professionals*



Mental health professionals should be equipped to understand and address the spiritual and religious needs of their Muslim clients. This includes incorporating Islamic principles and practices, such as the concept of *qana'ah* (contentment) and the importance of seeking Allah's pleasure (*mardhatillah*), into therapy sessions. In addition, building bridges between mental health professionals and Islamic scholars and leaders can facilitate a more holistic approach to addressing mental health challenges within Muslim communities.

#### *Islamic Scholars and Educators*

Islamic scholars and educators should emphasize the connection between Islamic social finance principles and psychological well-being in their teachings and sermons. This can raise awareness about the spiritual and psychological benefits of engaging in practices like *zakat*, *infaq*, and *sadaqah*. Further, creating accessible educational resources that explain Islamic financial principles and their relevance to mental health and well-being can empower individuals and families to make informed financial decisions that align with their values.

#### *Individuals and Families*

Individuals and families can benefit from reflecting on their financial practices and exploring ways to align them with Islamic principles. This could involve setting aside a portion of their income for charitable giving, investing ethically, and avoiding excessive debt. Furthermore, individuals struggling with financial stress or mental health challenges should be encouraged to seek knowledge and support from qualified professionals, including Islamic scholars, financial advisors, and mental health practitioners.

### **CONCLUSION**

This study underscores the profound connection between Islamic social finance and psychological well-being, rooted in Quranic teachings and Islamic principles. Key findings highlight that practices such as *zakat*, *infaq*, and *sadaqah* are driven by a desire to please Allah SWT, aligning with the concept of *fitrah*, the inherent human inclination towards good. Six dimensions of psychological well-being—self-acceptance, positive relationships, autonomy, environmental mastery, purpose in life, and self-development—are nurtured





through these practices, contributing to holistic well-being and aligning with the Islamic concept of *falah*.

The implications of these findings are significant for various stakeholders. Policymakers can integrate psychological well-being indicators into social welfare programs and financial initiatives. Islamic financial institutions are encouraged to develop products and services that promote both financial and psychological well-being, incorporating ethical investment options and financial literacy programs. Mental health professionals can benefit from integrating Islamic principles into therapy, while Islamic scholars and educators can raise awareness about the connection between Islamic social finance and psychological well-being. Individuals and families are encouraged to reflect on their financial practices and align them with Islamic principles to enhance overall well-being.

However, the study has limitations, primarily its reliance on theoretical analysis and existing literature, necessitating empirical research to validate the framework across diverse contexts. Future research should prioritize empirical studies using diverse methodologies to investigate the impact of Islamic social finance on psychological well-being across cultures and socioeconomic backgrounds. This includes developing culturally sensitive interventions, exploring the role of Islamic financial institutions in promoting well-being, and investigating the neuropsychological mechanisms underlying this relationship. By addressing these areas, future research can deepen understanding and unlock the potential of Islamic social finance to contribute to individual and societal flourishing.

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