

Towards sustainable financing models: A proof-of-concept for a waqf-based alternative financing model for renewable energy investments

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Deskripsi Lengkap: <https://lib.ui.ac.id/detail?id=20513713&lokasi=lokal>

Abstrak

This study investigates alternative equity-based financing models and proposes a waqf-owned (that could also be called philanthropy-, endowment-, trust-, foundation-, and third sector-based) financial intermediary (WOFI). We do so by developing the agent-based model and scenario-based computer simulations for financing solar powerplants. For this purpose, we redesign a waqf-based financing system and analyze the changes in wealth inequality, capital pooling, and social prosperity for a future time frame. As a proof-of-concept, the simulation results show that for the given case study, the proposed WOFI reduces wealth inequality dramatically, whereas conventional debt-based financing models raise inequality. Besides, restructuring the waqf-based financial intermediaries also enables the capital pooling essential for large projects and absent in the conventional waqf system. In short, this study proves that waqf-based institutions have a remarkable potential to contribute towards sustainable development goals by taking account of long-run social implications, economic growth, and environment-friendly projects.