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# The Significance of *Waqf* for Economic Development

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## Abstrak

Terdapat anggapan dari sejumlah ilmuwan Barat yang menyatakan bahwa institusi wakaf tidak lagi memainkan fungsi ekonomi yang signifikan dalam konteks perekonomian modern sebagaimana pada masa-masa sebelumnya. Menurut mereka, wakaf pada masa kini justru muncul sebagai faktor yang menghambat pembangunan di negara-negara Muslim. Artikel ini dimaksudkan untuk membantah anggapan tersebut dengan menampilkan berbagai fungsi dan kontribusi ekonomi yang dapat diperankan wakaf dalam konteks perekonomian kontemporer. Selain itu, sejumlah prasyarat untuk lebih mengoptimalkan pengelolaan wakaf juga dikemukakan.

**Kata kunci:** wakaf, pembangunan ekonomi, distribusi pendapatan, kemiskinan, pembiayaan defisit

## Abstract

There is an opinion among Western scholars that the institution of *waqf* could not any longer perform its economic role in the present times. Instead of being a vital institution as it truly played at the pre-modern era, *waqf* nowadays seems to be an impediment to the development in Muslim countries. This paper therefore is meant to refute such an opinion and attempts to point out the economic impacts of *waqf* for Muslim society in the context of the present economy. In the last part, the paper also brings about several necessary prerequisites for the revitalization of *waqf* in the current days.

**Keywords:** *waqf*, economic development, income distribution, poverty, deficit financing

## Introduction

*Waqf* has been a unique institution introduced by Islam. According to general opinion of Muslim scholars, there was no *waqf* in Arabia before Islam, either in the form of buildings or lands. Muslim jurists traced the institution to the time of Prophet (peace be upon him). Although the Holy Quran does not directly define *waqf* or make any particular reference to it, however, it encourages Muslim

to do charity. Allah has promised multiple rewards for those who generously spend wealth in His path (al-Baqarah [2]: 245).

Since the emergence of Islam, the Muslims have voluntarily given out of their wealth for the benefit of others in the form of *waqf*. Throughout the history of Islamic civilization, it is obvious that the scope, effect, magnitude and viability of *waqf* has been far greater than any other voluntary institutions in Islam such as *sadaqah*, *hibah*, *wasiyah*, *qard*, and *nadhr* (Islahi, 1996: 367).

*Waqf* was a dynamic institution during the early Islamic society, long before it did in the West, and provided a considerable contribution to the development and advancement of Muslim societies (Chapra, 2008: 852-853). There have been a big amount of buildings and services for society which have been financed and preserved for centuries through this system in all parts of the Muslim world. Many *waqfs* had even survived for considerably longer than half a millennium and some even for more than a millennium. The success of *waqf* system subsequently spread to the West during Crusades and then adopted as part of their social institution. It has been acknowledged that the famous Oxford University in England was built upon the Islamic *waqf* model (Çizakça, 1998: 50).

Nevertheless, few Western scholars have a negative sight towards this institution. They have considered *waqf* as an outdated institution which is no longer relevant and hence could not play any important role in the contemporary economy like it did in the past. According to this view, *waqf* is part of institutional traps that block economic development in Muslim countries, together with the Islamic law of inheritance and the absence of the concept of a corporation. It is further argued that *waqf* system inhibits resource pooling and locks vast resources into unproductive organizations for the delivery of social services. In other words, *waqf* becomes dysfunctional due to the inflexibility in its nature.

This paper in general tries to refute such an opinion by providing the explanation on potential impacts of *waqf* system towards economic development. The paper is then structured as follow. It is initiated with a short introduction followed by the discussion on definition of *waqf* and its unique characteristics. Afterwards, the paper attempts to point out the economic impacts of *waqf* on the contemporary economy. Several necessary prerequisites for the revitalization of *waqf* in the current implementation are provided in the next part. Finally, the paper ends up with a conclusion.

### **Definition and Characteristics of *Waqf***

*Waqf* is a kind of voluntary charity which is highly encouraged in Islam. It is endowed for a charitable purpose in perpetuity and stands out as one of the greatest achievements along the history of Islamic civilization.

In the Arabic language, the word “*waqf*” (pl. *awqaf*) literally means to hold, confine, prohibit, detain, prevent, or restrain. Legally, it means “to protect something, by preventing it from becoming the property of a third person” (Mohammad, Iman, & Omar, 2005: 10). Hassan (2010: 267) characterized *waqf* as “a perpetual charity that means holding certain property and preserving it for the confined benefit of certain philanthropic purposes.”

Kahf (1998: 4) defined *waqf* from *Shari'ah* perspective as “holding a *maal* (an asset) and preventing its consumption for the purpose of repeatedly extracting

its usufruct for the benefit of an objective representing righteousness or philanthropy.” According to Kahf, this definition could include both types of *waqf*, i.e. (1) *perpetual waqf* that is agreed upon by the four schools of *fiqh*, and (2) *temporary waqf* by the will and conditions of its founder which is approved by Maliki school of *fiqh* only.

In addition, the definition also covers some newly created forms of *waqf* that were not known before in the classical *fiqh* literature, such as the *waqf* of financial rights and *waqf* of usufruct. Furthermore, under the above definition, the inclusion of all kinds of *maal* (asset) for *waqf* purpose is also possible. Hence, *waqf* is not necessarily in the form of fixed assets such as land or building, but could also in the form of liquid assets such as cash or share.

Regarding to assets that can be made as *waqf*, Rashid (2011: 4) opened up many recent potential assets to include such as: (1) an endowment of title to some property from which any benefit, interest or profit may be derived; (2) an endowment of any interest in or profit from some property; (3) a ‘*waqf* by user’, and such *waqf* shall not cease to be a *waqf* by reason only of the user having ceased, irrespective of the period of such cease; (4) grants or *nazar* customarily recognised as religious and charitable; (5) a family *waqf* (*waqf al-aulad*), and (6) *waqf al nuqud* (cash *waqf*). Given all types of assets mentioned by Rashid, and this is also in line with Kahf, it becomes more obvious that *waqf* should not be confined in the form of fixed assets as widely perceived by majority Muslim people including those in Indonesia, but it can also in other varied forms either in fixed or liquid assets.

As a special kind of benevolence, *waqf* has three unique characteristics (Kahf, 1998: 8; Sabit and Hamid, n.d., 28-30):

1. Perpetuity, which means that once an asset dedicated as *waqf* it remains *waqf* forever. The Arabic term for perpetuity is *ta'bid*.
2. Irrevocability, which means the lack of power of the settler (*waqif*) to revoke his donation at any time. According to Abu Yusuf, *waqf* is effective and binding as soon as the declaration is made by the donor without any need for delivery of possession to the beneficiary.
3. Inalienability, which means that after a valid declaration is made, the subject matter of the *waqf* ‘passes out of the ownership of the *waqif* and it cannot be alienated or transferred either by the *waqif* or the *mutawalli* nor do their heirs can take it by way of inheritance.’

All above three characteristics are derived from the *hadith* of the Prophet pertaining to the *waqf* land by ‘Umar bin al-Khattab in which the Prophet has mentioned that the land should not be sold, given as gift or inherited. Based on this *hadith*, as quoted from Kahf, a *sadaqah* that recurs after the death of the donor is also a *habs* as long as the donation keeps benefiting Muslims. The *hadith* is interpreted to establish the permissibility of both permanent and temporal *waqfs* (Sabit and Hamid, n.d., 32).

The above definition essentially attempts to replace the perpetuity of the object with the perpetuity of the dedication of benefits. Sabit and Hamid (n.d.: 35) added that perpetuity of this dedication is fulfilled by assigning value to the benefits object of the *waqf* and then amortizing it; thereby by passing the perpetuity and inalienability of the object. This is basically not a new idea. It is developed on

the back of the acceptance of cash *waqf* and *istibdal* (exchange the assets) by the early jurists. Ibn ‘Abidin justified the permissibility of *dirham* and *dinar* as *waqf* because they can exist in perpetuity, provided the cash is invested in trade whereby the capital plus profit is returned to *waqf*. Under this new understanding of perpetuity and inalienability, instead of being an impediment to development for inhibiting resource pooling and locking vast resources into unproductive organizations, *waqf* hence could always engage its vital role in the current-day economy.

### **The Economic Dimensions of *Waqf* Institution**

While there are a great number of literatures produced on the legal and religious aspects of *waqf*, the similar attention has not been paid to explore its role in economic life of Muslims. Historically, *waqf* has played a precious function in economic aspect and always has potentialities to do so (Islahi, 1996: 367; Cizakca, 1998: 43-44). *Waqf* could be regarded as a fundamental economic institution for purpose of generating economic activities whilst at the same time ensuring that the benefits will accrue to certain parts of the society (Alhabshi, 1991).

In its economic sense, the *waqf* could be defined as diverting funds and other resources from current consumption and investing them into productive and prospective assets which generate revenues for future consumption by individuals or society at large. *Waqf* is therefore a peculiar combination between the act of saving and the act of investment. It operates by taking certain resources off consumption and simultaneously putting them in the form of productive assets that increase the accumulation of capital in the economy. The *waqf* implies a sacrifice of a present consumption opportunity for the benevolent purpose for providing income and services for the society and following generations (Kahf, 1998: 6).

In line with the principle of perpetuity in *waqf*, a *waqf* asset may not be sold or disposed of in any form. It should remain in the *waqf* domain perpetually. Should there is a new *waqf*, it will be added to that domain. Therefore, *waqf* assets will continually increase and at the same time, they are not permitted to decline due to the prohibition to consume the assets of *waqf* or to leave them idle by any action or neglect or transgression. Hence, the *waqf* is not only an investment, but it is a cumulative and an increasing investment. This is supported by the historical development of the Muslim lands where the extent of *awqaf* properties were estimated at over one third of the agricultural land in several countries including Turkey, Morocco, Egypt, and Syria (Kahf, 1998: 8).

The dynamism of the *waqf* institution and its mechanism hence could bring about essential contributions to the economic development in the present times. Furthermore, the contributions of *waqf* for economic development can be explained, among others, as follows.

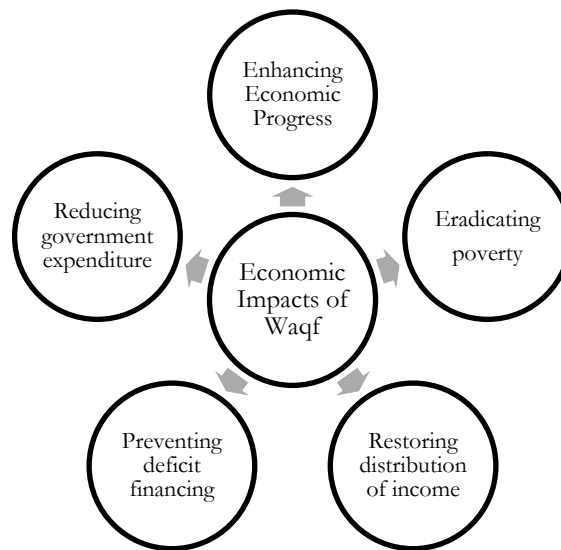


Figure 1. The contributions of *waqf* for economic development

### 1. Reducing government expenditure and participation in the economy

Essentially, *waqf* is not a part of government income or expenditure, rather it is a charity given voluntarily by well-to-do Muslim people in the society to serve public interests and enhance their welfare. Having financed by *waqf* fund, the government therefore can save a great amount of its budget and expenditure which initially planned for public interests. This budget then could be effectively channeled to other important development activities. It is in this sense that *waqf* institution can replace the government's burden and responsibility and reduce its participation in the economy (Nik Hassan, 2008: 12). The more the *waqf* fund collected for certain development projects beneficial to the society, the lesser the government's portion will be for those particular projects.

*Waqf* can place the government participation in the economy in the right proportion and perspective. In the present globalised economy, the private sector should be given a much greater space to actively participate in economic development as an efficiency-driven economy normally can be pushed by this private sector. The economics of innovation and creativity can be nurtured when the private sector has plenty opportunities to maneuver. Generally, the big size of the government participation in the economy will hinder private sector's progress. As the government bureaucracy is getting bigger, there is great tendency for the economy to be more centralised. The institution of *waqf* can encourage bigger private sector participation through voluntary actions and reduce government involvement in the economy (Nik Hassan, 2008: 13-14).

During Ottoman's period, the development and construction of public facilities were generously supported by the well to do Muslim people especially statesmen and rich people, which in other contemporary systems had been the sole responsibility of the state. Almost all states services, religious, social, scientific, and modern life requirements were financed and managed by *waqf* facilities at no cost whatsoever to the government (Saduman & Aysun, 2009: 273-274). Even until the 20th century, a significant spectrum of public or municipal services in many

Muslim communities were set up, financed and maintained almost exclusively by *waqf* (Baskan, 2002: 13). Furthermore, Tabakoglu (1996: 324) revealed the share of *waqf* revenues in total public revenues in Ottoman was around 12 percent in the sixteenth century. There was a considerable enlargement in number of the *waqfs* as well probably reaching some 25 percent along with the surge in private property and *iltizams* in the eighteenth century.

## **2. Preventing deficit financing and decreasing rate of interest**

Government borrowing through deficit financing basically can be prevented by active society's commitment to social economic requirements. Deficit financing normally has a bad financial impacts on the government. In the present volatile world economic condition, the public sector should reduce its public borrowings to prevent possible crises in the future. The previous financial crises affecting East Asian countries gave a valuable lesson that huge borrowings by the public as well as private sectors, particularly from external sources, brought about excessively negative effects on the region (Nik Hassan, 2008: 12).

As such, Cizakca (1998: 44) asserted that *waqf* system can significantly contribute to massive reduction in government expenditure. This in turn leads to a reduction in the budget deficit, which decreases the need for government borrowing and curbs the 'crowding-out effect.' Eventually, this also brings about a reduction in the rate of interest which constitutes a basic impediment for private investment and growth.

Cizakca (1998: 45) also provided serious attention to the role of *waqf* for lowering interest rate by providing the most essential social services without any cost to the government. This important contribution of the *waqf* system towards the gradual elimination of *riba* is not yet well recognized by Islamic economists. In other words, a re-establishment and revitalization of the *waqf* system should be considered as a vital step in the struggle to eliminate *riba*. Accordingly, the gradual elimination or reduction of interest through the *waqf* system should be taken into consideration. The *waqf* could fulfill these functions by voluntary donations made by the well to do people. Thus, privately accumulated capital may be voluntarily endowed to finance and develop social services to the society without being trapped into deficit financing at all.

## **3. Restoring distribution of income and wealth**

*Waqf* institution also plays important role to achieve a just distribution of wealth and income in the economy. Nik Hassan (2008: 13) considered that through voluntary contributions of the rich for the public purpose, *waqf* can have a positive implication on the redistribution of wealth. This kind of voluntary approach has a much better result than the redistribution through taxes and government transfer expenditure as the instrument of taxes has a greater costs implication for its implementation. Due to a lack of proper tax formulation, the costs of collecting taxes may create unnecessary burdens to the government. Likewise, in the transfer of government expenditure, it involves a great cost. On the contrary, in the form of *waqf*, the costs of collection will be very cheap and in most cases it even involves no cost at all.

Baskan (2002: 3-4) explained further that in ‘Economic Theories of Redistribution’, redistributive agent within the society can be classified into two populated groups. The first group, less populated one, takes individual as the redistributive agent and the second group, contrarily, takes government as the redistributive agent. The majority of economic theories fall into this second group while theories discussing individuals and private institutions as redistributive agents are very rare.

The first approach states that individual redistributes his/her income as a result of altruistic feelings toward the others. But, majority of theories that take government as a redistributive agent present the fact that the equilibrium redistribution level of income attained by private persons is suboptimal. Economic theories imply that if redistribution is left to the individual, the result might be suboptimal redistribution level (Baskan, 2002: 18-19).

However, since there is no measure of optimal redistribution so far, then it is difficult to ensure the level of redistribution of wealth through *waqf* system was optimal or suboptimal. Nevertheless, a few observations from the researches on the *waqf* system give an idea. The Ottoman society left the financing of health, education and welfare entirely to the *waqf* system so much so that the following expression emphasizes its central importance: "thanks to the *waqfs* flourished during the Ottoman Empire, a person would have resided in a *waqf* house, slept in a *waqf* cradle, ate and drank from *waqf* properties, read *waqf* books, taught in a *waqf* school, received his salary from a *waqf* administration, and when he died, put into a *waqf* coffin and buried in a *waqf* cemetery." Therefore, almost all of the researches highlight the central importance of the *waqf* system on social, economic and cultural life of the Ottoman society (Baskan, 2002: 18-19).

In the last one and half centuries, political economists have agreed that the state is the most efficient solution to overcome inequality problems. However, Baskan (2002: 2) revealed that the solution in the Islamic world throughout the history has been ‘individual-state cooperation.’ It was observed that the product of this cooperation has been a *waqf* system.

Çizakça (2000) viewed that a better distribution of income in the economy which is one of modern economic goals can be achieved by *waqf*. In this process, taxation is definitively assigned a secondary role. There are further implications: a lower tax burden means an enhancement in the consumers’ and producers’ surpluses and a diminution in the “dead-weight cost of the tax”. As a result, lower taxes would have a positive impact on aggregate production while at the same time reducing costs. Therefore, prices to the consumers would decrease and avoid inflationary growth.

Islamic teachings highly recommend individuals to give alms to the poor or to spend money through *waqf* mechanism, in addition to *zakat*, for the benefit of general public. Through such voluntary mechanism, individuals are helping the authorities to improve the condition of the society.

As *waqf* made by the rich people provides benefit to the society in general and the poor in particular, this feature serves to alleviate the effects of income and wealth inequality. Different from the short-term impact of government budgetary policies, the institution of *waqf* could eliminate the tendency towards concentration of wealth among society (Siddiqi, 1996).



#### 4. Eradicating poverty

Poverty and income inequality have always been among the most critical and enduring problems that the societies face. There are ways to handle the poverty problems, starting from preventive to curative measures. An important way to alleviate poverty as considered by Sadeq (2002) is charity, which has been playing a role and can potentially be an effective means to overcome these acute problems. Charity has many forms, but a long lasting form of charity is one that has the characteristic of perpetuity. The institution of *waqf* is such a perpetual charity in the Islamic system.

The Qur’anic’s central heart in this regard is the notion that property should be circulated among all components of the society (al-Hashr [59]:7) and should also be purified through charity (al-Taubah [9]:103). The charity is then divided into two parts: (1) voluntary charity called *sadaqa*, including *waqf* (pious endowment) and (2) involuntary charity called zakat (Bonner, 2005).

Through *waqf*, long-term assets that generate income flows can be created and preserved. These assets obviously help the process of production and creation of wealth. *Waqf* can play an important role in poverty alleviation by specifically targeting the poor as major recipients of its benefits. *Waqf* may also be formed purposely to disseminate knowledge and coach skills in entrepreneurship development among the poor as microfinance alone cannot create wealth unless combined with entrepreneurial skills. Indeed all technical assistance programs including for poverty alleviation can be organized as *waqf* (Obaidullah and Khan, 2008).

The social welfare role of *waqf* institutions will depend on their type and size. *Waqf* can be classified into two main categories. The first classification is based on the area/domain of *waqf* which is distinguished as (1) religious and (2) philanthropic. The former would be religious places like mosques, graveyards, shrines/tombs, etc. and the latter would be assets/property given away for non-religious area/domain such as school, hospital, bridge, road, etc. The second classification is based on the type of beneficiaries, which can be either (1) family members or (2) general community. These classifications are shown in table below.

Beneficiaries	Religious	Philanthropic
Family	A	B
General public	C	D

From the perspective of poverty alleviation, *waqf* type A, B, and C are not relevant. Type A *waqf* is not common as family members can not usually be the sole beneficiaries from religious *waqf*. Type B and C cannot benefit the poor in economic terms, as the former is meant for family members and the latter are places of worship. Only type D *waqf* is relevant for poverty alleviation. The income from philanthropic *waqf* for the general public can provide services to the poor directly and/or indirectly (Ahmed, 2004).

Besides, Islamic financial sector should also play its role for eradicating poverty. According to Ahmed (2007), the provision of financing to the poor is indeed the real application of the social role of Islamic financial sector as well as its

unique feature which should be enhanced even further. In this light, many scholars suggest the creation of intermediary institutions to help small and medium enterprise to grow based on *zakah*, *waqf* and *sadaqah*. It is the returns from productive *waqf* and *sadaqah* that could be channeled to finance productive Muslim small and medium enterprises (SMEs).

Hasan (2011) also proposed a *waqf*-based model cooperative for improving SMEs in Singapore. MUIS (Majlis Ugama Islam Singapore) as the *mutawalli* is suggested to set up a subsidiary which takes a form of co-operative to deliver financing toward Muslim SMEs based on Islamic modes of financing where the source is mainly from *waqf*. Meanwhile, Lahsasna (2010) accentuated the role of cash *waqf* in order to finance micro and medium sized enterprises (MMEs).

### **5. Enhancing Economic Progress**

In general, the well managed *waqf* properties would enhance economic progress in the country. Nik Hassan (2008) reminded that it had been attested in the past, particularly during the Ottoman Empire, that *waqf* and economy was highly connected in a positive direction. As the *waqf* institution was flourishing, the country's economy was also advancing. The bigger the size of *waqf* properties, the bigger the size of private sector involvement and the more progress the economy. There is a positive correlation between active private sector's participation in the economy with national economic progress.

More interestingly, since the *waqf* provides public goods and thus fulfils the society's needs adequately, it solves the problem of under supply of public goods, so often observed in conventional economies. Given the wide involvement of private sector, the provision of *waqf* for public purposes is so abundant and even creates an excess supply of public goods rather than their scarcity in Islamic economy (Cizakca, 1998).

Giving *waqf* as a part of spending in the way of God also stimulates the circulation of wealth in the society as envisaged by the Holy Qur'an (al-Hashr [59]:7). The motivation to do *waqf* given by the Prophet and the promised lifelong and afterlife rewards have encouraged Muslim people to do this noble charity. This action could effectively avoid hoarding and idle wealth in the economy making it keeps circulated and productive which eventually leads to economic progress.

### **Necessary Prerequisites for the Revitalization of *Waqf***

Realising the remarkably important role of *waqf* in social and economic development, many Muslim countries have given special attention to the development of the *waqf* properties and the revivification of their functions and ability to provide those important services they used to provide in the past. The existing assets of *waqf* in most Muslim countries represent a huge amount of social wealth that can be developed to produce a lot of social services, especially with the increase in their capital values as a result of the economic and demographic changes.

However, there are several prerequisites that must be fulfilled if the *waqf* are intended to replay an important role in the development of Muslim's economies. Below are some of those pre-requisite that put forward by Muslim scholars.

Kahf (1998) who has written many papers on *waqf* suggested such things as follow: *Firstly*, issuing a new legal framework that imparts a clear definition of *waqf*, defines its function and objectives, organizes this institution effectively, and regulates its social and economic roles. In addition, such a legal framework should provide necessary legal protection for the *waqf* properties and governs the repossession of all *waqf* properties that were diverted to other public and/or private persons as well as to review the old records of *waqf* in order to re-establish the right of *waqf* on many lost real estates.

*Secondly*, revising the management of *waqf*, especially its investment kind of *waqf* and providing technical, managerial and financing support to the *waqf* management to help it increase the productivity of *waqf* properties. This is done in order to fulfill two objectives: (1) to increase the efficiency and productivity of the *waqf* properties; and (2) to minimize the potential of dishonest practices and corruption by the *waqf* managers (*nazers*). There is also a need to provide a new style of management that suits the *waqf* institution and to provide sufficient checks and balances on the *waqf* management.

*Thirdly*, revising classical concept of Fiqh on *waqf* in order to accommodate many new forms of potential *waqf* particularly in the area of *waqf* of usufruct and *waqf* of non-physical properties (abstract properties). Similarly, the concept of temporary *waqf* also needs to be expanded. Since *waqf* is based on *ijtihadi* laws, more creativity should be exercised in its further development (Karim, 2012).

*Fourthly*, redefining the roles of the ministries of *waqf* by making them agents of support and catalysts of help in the development of *waqf* rather than governmental managers of *waqf* properties.

*Fifthly*, building a master plan in each Muslim country in order to reactivate the *waqf* properties in such a way that maximizes their benefits and services.

*Sixthly*, recognizing the relevance and importance of family *waqf* and its role in economic growth and reinstating the provisions that protect and organize the family *waqf* in particular and promote the idea of establishing new *waqf* in general.

Furthermore, Ahmed (2004) has also ideas in order to further develop the institution of *waqf* in the current times. *Firstly*, enlarging the *waqf* institution beyond just for religious purposes towards general public purposes. The experiences over the Muslim countries have shown that most of the *waqf* institutions are religious in nature (mosques, graveyards, and shrines) and thus are not contributing much to the welfare of the poor. It seems that people are more aware of *zakah* and *shadaqah* as means to tackle the problem of poverty.

*Secondly*, enhancing the quality and quantity of *waqf* institutions and investing in undeveloped *waqf* properties. According to Karim (2012), various contemporary Islamic modes of financing can be used for this purpose such as *sukuk* (based on *musharakah*, *ijarah*, or *intifa'a*), REITs (real estate investment trusts), and *istisna*. In addition, some traditional methods of *waqf* financing still could also be used like *hukr/hikr* (long lease or perpetual lease use for renting or leasing), *ijaratyn* (two leases), and *khulluw* (loan contract made to *waqf* which commonly used in Egypt for rental). Additionally, Alias (2012) proposed a new model called Enterprise *Waqf* Fund (EWF) by combining the cash *waqf* model and venture capital.

Having planned to make an investment in *waqf* assets, some following Shari'ah and decision issues need to be observed such as (1) permanent versus temporary *waqf*; (2) movable versus immovable assets; (3) capital depreciation or appreciation; (4) capital guarantee; (5) risk and return profile of investment; (6) income accumulation versus capital appreciation; (7) potential of negative income; and (8) *istibdal* and sale of *waqf* assets (Karim, 2012).

*Thirdly*, increasing *waqf* quantity by establishing new institutions. It has been observed in the Muslim countries that new *waqf* institutions are not being established. One reason of limited new *waqf* institutions might be caused by the perception that *waqf* should be in the form of land and real estate which necessitates a big amount of money. Only the very rich people thus can afford to create new *waqfs* nowadays. Therefore, in order to increase the number of *waqf* properties, laws and regulations as well as fiqh concept of *waqf* should be revised accordingly to facilitate the creation and development of new *waqf* institutions in the current times.

Finally, Rashid (2011: 1-4) highlighted the importance of comprehensive survey of *waqf* properties to enhance the effectiveness of *waqf* management. This may include such information on the exact number, nature, value, income, objects, administrative structure and other details of *waqf* properties.

## Conclusion

*Waqf* system has played a significant socioeconomic role throughout history of Islamic civilization. It was the fact that essential services were all provided at no cost whatsoever to the government. This has certainly had many important implications and effects to the overall economy. By providing essential services to society at zero cost to the state, the *waqf* system can significantly contribute towards the ultimate goals of every modern economy; a massive reduction in government expenditure. This, in turn, causes a reduction in budget deficit, lowers the need for government borrowing, and leads to a reduction in interest rates and, thereby, cuts out a major impediment for private investment and growth. *Waqf* could also restore distribution of income and wealth and play a vital role in eradication poverty. Finally, *waqf* will enhance the overall economic progress of the country.

More interestingly, *waqf* can fulfil the above-mentioned functions without any state coercion or through the usual method, i.e. redistributive taxation, but through voluntary donations made by the well to do people in the society.

All these vital roles of *waqf* would be possible to achieve in modern times if some prerequisites regarding legal framework, *fiqh* concept of *waqf*, management and planning can be comprehensively improved. Additionally, making *waqf* properties generate income, enlarging *waqf* towards socioeconomic purposes and establishing new *waqf* institutions are also strategic and important ways to do. *WalLahu a'lam bi al-sawab.*



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