

Waqf AND ITS ROLE IN SOCIO-ECONOMIC DEVELOPMENT

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I. INTRODUCTION

Waqf is an important institution in the Islamic socio-economic system. It has played a key role throughout Islamic history. According to Cizacka (2002: 264), history has shown that *waqf* institutions have managed to provide social welfare services that many current states struggle to offer.

The establishment of *waqf* institutions all over the Muslim world was indeed the result of benevolence—an act of devotion towards God. Baskan (2002: 18) reports that during the Ottoman period the financing of health, education and welfare services was entirely entrusted to the *waqf* system.

Currently, the potential of *waqf* organizations is substantially unrealized. It is the conventional philanthropic institutions that are functioning more effectively. Therefore, there is a strong need to re-evaluate the current *waqf* institution and its needs. Efforts are also needed to develop a better approach for its financial management to increase its efficiency and performance (Boudjellal, 2008: 125).

This research aims at examining the role of *waqf* and its contribution towards socio-economic development, starting with the historical role of *waqf* in enhancing social welfare and moving on to discuss its important and unique potential role in the socio-economic development of present societies, particularly how it can be developed to be a principal provider of public goods. It proposes several strategies for reviving the *waqf* institution and highlights the importance of integrating modern approaches into the *waqf* system to produce an efficient welfare service for the community.

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This research hopes to increase public awareness on the unique role of *waqf*, which is deemed to be an investment in this world and the hereafter.

I. *WAQF* FROM SHARĪ'AH AND ECONOMIC VIEWPOINTS

A. Waqf from a Shari'ah Perspective

A donation in the form of *waqf* is considered an act of charity that can be characterized as *sadaqah jāriyah* (ongoing charity) (Ihsan and Ibrahim, 2007: 2). For instance, ongoing charity can be in the form of endowed public buildings or other places such as accommodation for travellers, mosques, a well, canal, etc. (Ahmed, 2004: 28).

Muslim jurists have two different opinions regarding the ownership of *waqf*, whether the property of *waqf* is owned by Allah or by its beneficiaries (Rassool, 2007: 5). In any case, the beneficiaries cannot sell or give away the *waqf*. The basic rule is that, if the property is donated as a *waqf*, it stays as a *waqf* eternally (Rassool, 2007: 5). However, there might be some exceptions in cases that involve the best interest of the *waqf* such that it becomes more efficient and valuable. The founder (*wāqif*) should define all the conditions in a written document (Ibrahim, 1996: 11). These conditions should be followed as long as they are in accordance with Shari'ah principles.

Ahmed (2004: 29) states that *waqf* institutions have a flexible organizational structure due to the fact that the person in charge of administering the *waqf* (a manager/*mutawallī*) can shape it as he wishes. His responsibility is akin to that of a trustee (Ibrahim, 1996: 9). However, he is bound by some moral duties as well as legal responsibilities. For instance, it is the *mutawallī's* obligation to protect the *waqf* property and to maximize its profit (Rassool, 2007: 5). He has a right to employ agents to help him. Moreover, the *mutawallī* cannot give or lease the property of *waqf* without permission from the court (Ibrahim, 1996: 9). The person who is appointed as a manager should thus be trustworthy and honest.

B. The Economic Definition of Waqf

Waqf from the economic perspective can be defined as the investment of funds and other assets in creative properties that provide either usufruct or revenues for future consumption by individuals or groups of individuals (Pirasteh and Abdolmaleki, 2007: 4). *Waqf* has also been defined by Kahf (1998: 7) as “*an action that involves investment for the future and accumulation of productive wealth that benefits future generations.*” In addition, it is an endowment which has a strong economic power that moves the society towards the path of growth and prosperity (Yalawae and Tahir, 2003: 2).

As a part of the voluntary sector, *waqf* provides certain welfare enhancing services to the society which are financed through the investment of the allocated resources. The *waqf* sector can be one of the best instruments in redistributing wealth between the rich and the poor and managing it to decrease socio-economic disparities.

II. WAQF AND SOCIO-ECONOMIC DEVELOPMENT

Ahmed (2004: 33) states that the historical role of *waqf* was very rich; it played an essential part in developing various aspects of the society and the economy. This is supported by Cajee (2007: 9) who reports that *waqf* was a “*powerful community supporting institution, e.g., [through] provision of infrastructure and social, health and educational programmes.*” According to Kahf (2007: 1), the general idea of establishing a *waqf* is basically for the cause of humanity.

The first *waqf* established in the Muslim world was the mosque of Qubā (Kahf, 2007:2). Over the centuries, the creation of *waqf* became pervasive. Recently, cash *waqf* in many Islamic societies has grown in popularity and some Muslim capitalists give specific funds as loans to applicants; in return, the loans will be used for providing social services to the vulnerable strata of society (Cizakca, 1995). In many Muslim societies today, a number of humanitarian projects are operated through the *waqf* institution. Specific examples include: development of springs to provide water for public consumption, building houses for the needy, building bridges, helping the poor and the handicapped, financing the marriage of young people in need, and financing orphanages and homes for the elderly.

In multi-dimensional models of development, *waqf* is one of the most significant activities, embedded with the characteristic of piety, providing kindness and social justice, and promoting innovation, entrepreneurial dynamism and social development (Brown and Holloway, 2007). Development based on the *waqf* model has social justice and equality as the central policy.

Pirasteh and Abdolmaleki (2007: 1) have highlighted the significant role of the *waqf* sector in providing public services and contributing to socio-economic development as a benevolent, non-governmental and non-profit sector in the economy. Philanthropy-oriented *waqf* has filled gaps in the socio-economic system by appealing to the piety of wealthy individuals.

It is important to highlight that the *waqf* sector, which was instrumental in the delivery of public goods, did not cost anything to governments (Cizakca, 2000: 2). Cizakca (2011) points out that, in fact, the key role of the *waqf* sector in providing public services meant significant reductions in government expenditure and borrowing. This led to a reduction in the tax burden on the public and increased the potential for savings to be spent on private investment and growth.

Waqf also offered the opportunity to provide welfare services without involvement of the state. This resulted in the development of an active civil society, assisting in redistributing resources and reducing inequality in society. As stated by Kuran (2001: 841-898), many rich and powerful people opted for *waqf* to take their capital away from the arbitrary power of the state. Thus, in addition to socio-economic roles, the *waqf* system played a major role in the development of a civil-political culture in the Muslim lands.

III. CONCLUSION

There are two obvious implications of this renewed focus on *waqf*. Firstly, based on the historical success of *waqf* in providing public services in Muslim societies, useful lessons can be learnt to revive the *waqf* culture in today's societies for the provision of public goods and social welfare services. Secondly, there is scope for enhancing the management and business operation of *waqf* institutions by adopting modern approaches that will equip the institutions to provide better

and more efficient welfare services to the community. As in the past, the *waqf* sector has the potential to become part of a strong civil society which promotes socio-economic welfare and reduces inequality. This research endeavours to examine how the *waqf* sector can play an enhanced role in the socio-economic development of contemporary societies.

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