

Evolution of Waqf Practices

# SKY IS THE LIMIT FOR INNOVATIONS

by Assoc Prof Dr Magda Ismail Abdel Mohsin (INCEIF)

## EVOLUTION OF WAQF PRACTICES

*Waqf* (plural *awqaf*) is a continuous charitable endowment given away for the goodwill. Once created, it must stay permanently to finance different needs for the next generation. *Waqf* can be defined as “the confinement of a property (movable or immovable) by a founder(s) and the dedication of its usufruct in perpetuity for the wellbeing of societies for generations to come”. The inherent perpetuity of *waqf* gives its flexibility to accommodate the arising needs of Muslim societies throughout centuries. As such, it is seen as an institution with an immense potential for economic and social reform (MIFC, 2015).

## RECENT INNOVATIVE PRACTICES OF MOVABLE WAQF/CASH WAQF

The last few decades have witnessed the revival of the institution of *waqf* and the creation of movable *waqf* i.e. cash *waqf*. According to a report by MIFC (2015), corporate and cash *waqf* are becoming popular particularly due to the flexibility they offer.







Cash *waqf*, which is a type of moveable *waqf* established by using cash, emerges as an innovative approach in providing various financial models to meet the expectations of societies' needs in Muslim countries.

### ***Innovative practices of cash waqf in creating financial models***

It has been realised that different cash *waqf* models are created to fulfil the various arising needs in the different Muslims societies. Among the types of cash *waqf*, is *waqf* shares model that is available in Sudan, United Kingdom, Malaysia and Kuwait. Through *waqf* shares, an individual can do *waqf* through cash by purchasing share unit with minimum value and the *waqf* is offered to Allah s.w.t for the interest and welfare of the ummah. In Malaysia, *waqf* shares scheme has been able to play its role in gathering the needed funds to engage in projects that benefit the Malaysian societies such as; development of existing *waqf* land, renovating mosques and religious schools, providing physical amenities for the Muslim community, maintaining the religious infrastructure and financing medical facilities (Ismail Abdel Mohsin, Magda, 2019).



*Waqf can be defined as “the confinement of a property (movable or immovable) by a founder(s) and the dedication of its usufruct in perpetuity for the wellbeing of societies for generations to come”.*

---

The direct cash *waqf* model which is created by the Muslim minorities in Singapore, New Zealand and India is supporting their communities in different ways such as; burials of poor Muslims, establishing charity projects, supporting the orphans, helping refugees, providing marriage guidance, financing the cost of marriages and giving dowry, assisting the handicapped and financing medical expenses for poor Muslims. Meanwhile, the cooperative *waqf* model which is practised in Uzbekistan aimed to provide the basic needs for each district in terms of education, health and shelter. The corporate cash *waqf* model which is practised in India, Pakistan, Bangladesh, Turkey and Malaysia, supports the education and the health sectors at large scale. All of these are good practices of cash *waqf* models which have been customised to meet societies' needs in most innovative styles.

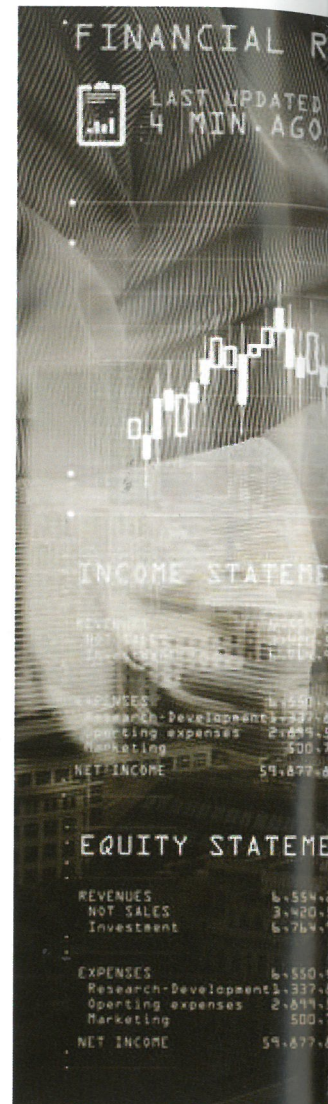




### **Waqf, FinTech and Blockchain**

Islamic banks recently played a great role in meeting arising needs in different societies by expanding the collection of cash *waqf* through digital platform. In Bangladesh for instance, there are two financial institutions namely, Social Investment Bank Limited and the Islamic Bank Bangladesh Limited that offer deposit *waqf* product schemes which allow public to deposit money as *waqf* in a cash *waqf* based account. The banks will then issue cash *waqf* certificate and the revenue from the investment will be used for various charitable purposes such as rehabilitation of beggars, upliftment of poor education of orphans, village health care and sanitation, supplying pure drinking water, establishing hospitals, clinics and health care programmes for the poor.

Meanwhile, in Malaysia, Bank Muamalat issued a debit card called “Aisya”, which comes with a unique feature of *waqf*. For every retail transaction performed by the customer, 20 percent of the interchange fee received, will be contributed to *waqf* without deducting or imposing any fee to the customer. It is believed that the *waqf* sector in Malaysia will move toward digitalisation and fintech inclusion following the launch of the *waqf* report by World Bank, International Centre for Education in Islamic Finance (INCEIF) and International Shari’ah Research Academy for Islamic Finance (ISRA). This indicates serious commitment of the Malaysian Government to actively working on the *Waqf*







Act as well as heavily engaging with experts in information technology to incorporate waqf with blockchain and artificial intelligence. This recent development in digital economy will be taken into consideration as a component of the Act as it could address the issue of transparency and trust in the implementation of waqf. Subsequently, this could raise the confidence of public to contribute to cash waqf. Even though this is very new for cash waqf to venture in, yet it is a great source for innovative waqf models that are more trusted, transparent, efficient and better traced. A good example for this is FINTERRA, a global cloud-based FinTech service provider which has developed a crowdfunding platform that uses digital ledger technology, or blockchain to create “smart contracts” that would be tied to specific waqf projects. The objective of this firm is to provide more efficient ways to manage waqf.



*The ultimate objective of waqf is to achieve maqasid al-shariah and definitely the innovations that have been used to develop waqf in this regard has fulfilled this.*

---

## **POTENTIAL FOR MORE INOVATIVE MODELS FOR CASH-WAQF**

There are a few potential models on cash *waqf* and innovation are being proposed depending on the societal needs.

### **Micro-waqf project**

The term micro-*waqf* is introduced as an innovative feature of *waqf*, referring to a specific small scale *waqf* projects. For example, "Micro-*waqf* is proposed by MARA University of Technology Malaysia to support its education and to create a culture of inclusive participation from the targeted community through minimum contribution.

### **Waqf-based micro-takaful /waqful**

The call for the creation of *waqful* is another innovation combining both cash *waqf* and *takaful*. The proposed model is based on the micro-*takaful* which would cover the extremely poor, while proposing donation from the wealthy people to subscribe to the *waqf*-based schemes in favour of such beneficiaries.

### **Waqf-based social sukuk**

Likewise, the mechanism of *waqf* could possibly be used for developing *waqf*-based capital market products. Similar to the existing *waqf* shares, a new model of *waqf*-based *sukuk* structure can be proposed. In this respect *waqf*-based *sukuk* could raise huge amount of fund which could fulfil most of the societal needs, hence creating Muslim welfare society. Currently there are only two *sukuks* have been issued in the world to develop *waqf* lands. They are *Sukuk al-Intifa'a* for Zamzam Tower and *Musharakah Sukuk* by MUIS (Majlis Ugama Islam Singapura). There is a huge prospect to issue *waqf* perpetual *sukuk*. However, this innovation is yet to be researched and implemented. Perpetual *sukuk* are among the latest innovative instrument in the Islamic capital market that could be adopted to enhance *waqf*.

## CONCLUSION

It is evident from this article that *waqf* has evolved for centuries and different innovative means have been used to develop *waqf* for the benefit of humanity whether for economic or social development. There is no limit to innovation of *waqf* as long as the parameter laid down by *shariah* is followed. In this regard, the statement made by Abu Ishaq Al-Shatiby (as cited by Engku Ali, 2013) is important.

فإن الله وضع هذه الشريعة المباركة حنيفية سمحة سهلة حفظ فيها على الخلق قلوبهم وحبها لهم بذلك فلو عملوا على خلاف  
السماح والسهولة لدخل عليهم فيما آلقوا به ما لا تخلص به

*"Surely Allah made this blessed righteous Shariah accommodating and convenient and thus won the hearts of the people and instil in them love (and respect for the law). Had they acted against convenience and facility, they could not have honestly performed their obligations."*

The ultimate objective of *waqf* is to achieve *maqasid al-shariah* and definitely the innovations that have been used to develop *waqf* in this regard has fulfilled this. Riding on the Industrial Revolution 4.0, it is hoped that there would be more innovation and further development in *waqf*.

## REFERENCES:

- Abdel Mohsin, M. I., (2019). Integrating Waqf Crowdfunding into the Blockchain: A Modern Approach for Creating a Waqf Market", Edition, Edited by Umar A. Oseni, *Fintech in Islamic Finance Theory and Practice*, 1st, Routledge.
- Abdel Mohsin, M. I. and et al., (2016). *Financing the Development of Old Waqf Properties*, Palgrave Macmillan.
- Abdel Mohsin, M. I., (2014). *Corporate Waqf: From Principle to Practice*, Pearson Malaysia Sdn. Bhd.
- Abdel Mohsin, M. I., (2009). *Cash Waqf: A New Financial Product*, Pearson Malaysia Sdn. Bhd.
- Mohammad Anas al-Zarqa, "Some Modern means for the Financing and Investing of Awqaf projects", ed. Hasmen Basar, *Management and Development of Awqaf Properties*, (Jeddah: Islamic Research and Training Institute, 1987), 43.
- Adnan Ertem, (2014), *Marvelous Pious Foundations (Waqfs) Throughout History*, Directorate General of Foundations Publications, Ankara.
- MIFC (2015), *Waqf: Realising the Social Role of Islamic Finance*, MIFC. Retrieved on July 2019 <http://www.mifc.com/index.php?ch=28&pg=72&ac=130&bb=uploadpdf>
- Press release(20 July 2016) [https://www.muamalat.com.my/downloads/media-room/press/2016/PR-BANK\\_MUAMALAT\\_Debit\\_Card\\_Launch\\_2016.pdf](https://www.muamalat.com.my/downloads/media-room/press/2016/PR-BANK_MUAMALAT_Debit_Card_Launch_2016.pdf)
- <https://centreforaviation.com/data/profiles/airlines/waqf-airlines>
- [http://irep.iium.edu.my/35516/3/Session\\_1\\_-\\_Dr\\_Engku\\_Rabiah.pdf](http://irep.iium.edu.my/35516/3/Session_1_-_Dr_Engku_Rabiah.pdf)
- الشاطبي، الموافقات في أصول الشريعة، ج 2، ص 136، دار العصرية، (بيروت 2000)