

CASH WAQF FOR AN ETHICAL BUSINESS WORLD

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Abstract

Prior to the 15th century, when there was a shortage of money on the market, entrepreneurs, artisans, and other individuals faced a significant obstacle when it came to procuring resources for their investments or work. This lack of financial resources prompted people to develop new methods and institutions to address this issue. Over time, a variety of financial institutions sought to collect depositors' excess assets and lend them to those in need at predetermined interest rates. These institutions were influenced by the religious convictions, customs, and traditions of the societies in which they existed. One of these institutions was Cash Waqf (CW). The CWs played a significant role in addressing the financial challenges encountered by entrepreneurs, artisans, and other individuals who struggled to obtain the necessary resources to pursue economic endeavors.

The profits earned from financing activities by CWs were allocated to achieve the objectives of the waqf, demonstrating their commitment to social benefit over profit-making. The primary aim of CWs was to address the societal needs and not to earn profits. In addition, the assets provided by CWs were an essential source of capital for entrepreneurs. Thus, the CWs had a substantial effect on both the material and immaterial development of Ottoman society. This study seeks to investigate the extensive effects of the CWs on the business world of the Ottoman Empire.

Keywords

Ottoman cash waqfs, business world, capital accumulation, investment financing, Islamic finance

Introduction

The waqf system in the Ottomans played a crucial role in financing almost all social services, including educational institutions like madrasahs and schools, religious institutions like mosques, masjids, zawiyas, and lodges, as well as infrastructure projects like sidewalks, bridges, and clock towers. With the success of the waqfs in meeting the needs of society, these institutions spread widely and could reach even the most remote villages in the empire. The waqfs, with their religious background and regional focus, became an essential part of the institutional framework of the Ottoman Empire, affecting its economic, social, and cultural life. In fact, the waqf system reached its peak during the period of institutionalization, with waqfs playing a central role in the provision of public services, welfare, and economic development. The importance of the waqf system in the Ottoman Empire cannot be overstated, as it not only served as a mechanism for the provision of social services but also as an important instrument for the preservation of Islamic culture and values, promoting a fair and just society. Thanks to this success, the Ottoman Empire was recalled as civilization of the waqfs. The kind thoughts of people and the problems of the period led to the waqfs for many purposes. The heritage of the Ottomans could be transferred thanks to the financing of the waqfs. Many mosques, almshouses, bridges, madrasahs, masjids, lodges, which are standing today, owe it to the waqfs. The waqf founded by Orhan Gazi for a madrasah at where Davud-ı Kayseri was the muderris in Iznik was the first waqf of Ottomans. Orhan Gazi donated enough real estates for this waqf. Moreover, he founded waqfs for almshouses, madrasahs, mosques, guesthouses in Adapazari, Bursa and Kandira (Berki, 1962:127-129).

The waqf system was the backbone of the Ottoman Empire's social and economic infrastructure. It enabled the establishment of numerous institutions devoted to providing social services, educational opportunities, and infrastructure initiatives to the empire's citizens. The waqf system was so effective that it could reach even the most remote regions of the empire, thereby expanding its influence. As a consequence of this achievement, waqfs became an integral component of the Ottoman Empire's institutional framework. They were instrumental in shaping the economic, social, and cultural life of Ottomans. During the period of institutionalization, the waqf system attained its apogee, with waqfs providing essential public services, fostering welfare and development, and preserving Islamic culture and values. The waqf system played a crucial role in the establishment of a fair and just society in the Ottoman Empire, ensuring that the social and economic requirements of the people were met while upholding Islamic values and principles. The effectiveness of the waqf system in providing social amenities

and infrastructure initiatives meant that it was not only a financial instrument but also an integral part of the social fabric of the Ottoman Empire.

The spread of CWs in the Ottoman Empire not only met the financial requirements of the populace, but also resisted the expansion of corporations, banks, stock markets, and colonialism that prioritized high profits and asset acquisition. Prior to the establishment of the first bank in the second half of the 19th century, CWs were the primary institutions that met the society's monetary requirements, and their charitable activities continued to benefit the community. The Ottomans were able to resist the European system based on mercantilism and state-supported capitalism, which prioritized material wealth and only permitted capital accumulation for the wealthy. Despite their proximity to Europe, the Ottomans were able to establish an alternative financial system that prioritized social benefit over profit and contributed to a just and moral society. By adopting the principles of the CW model, modern entrepreneurs and business leaders can learn valuable lessons about the importance of social responsibility and community welfare over individual profit-seeking.

Cash Waqfs

In Islamic civilization, the waqf system was a crucial mechanism for allocating community resources to satisfy their needs. Waqf assets were contributed and allocated by the owner, and these assets were transferred from the owner's possession to the waqf's. This system was established for the sake of Allah, with the primary objective of ensuring that the assets were utilized to promote the general welfare. In the Ottoman Empire, the waqf system was institutionalized and expanded to meet the requirements of society. Particularly, cash waqfs emerged as an essential form of waqf institution in the Ottoman Empire, providing individuals with access to financial resources and fostering social welfare. As a result, the waqf system in Islamic civilization served as an essential instrument for promoting social justice and equity, ensuring that resources were allocated in a manner that supported the public welfare rather than the private interests of a few elites.

The capital of CWs typically consisted of funds that the owner donated and invested in accordance with Islamic financial principles. Profit from these investments was expended in accordance with the objectives of the waqf. In contrast, real estate waqfs relied on the rental income of their properties, which was evaluated in accordance with the waqf's purposes. However, real estate waqfs were susceptible to dangers such as natural disasters and fire, which could lead to catastrophic financial losses. Moreover, the transaction costs associated with real estate waqfs were typically higher than those associated with monetary waqfs. Due to the absence of intermediaries, the transaction costs associated with currency waqfs were minimal, making them a more efficient and cost-effective option for financing and investing. Therefore,

currency waqfs played a pivotal role in the Ottoman financial system and offered an attractive investment opportunity for those pursuing ethical and socially responsible investments.

In addition to its benefits, fiqh issues carried with them disputes regarding the establishment of CWs. Donation of movable assets and interest-bearing transaction risk were among the topics of discussion. The debates ensured that CWs were founded on religious principles. The interest sensitivity of the founders and trustees at the form of operating capital in the CWs also contributed to the development of the applications that can be characterized as the forerunner of contemporary interest-free financial institutions. The CWs reflect the Ottomans' economic and financial outlook. In addition, their religious foundation provides some insight into the Ottomans' economic structure.

According to Islamic law, there are two types of monetary donations known as waqf. The first is lending without interest or expecting no return to those in need. The second is profiting from donated funds using Islamic financial practices. The profit is then utilized for waqf purposes. Due to the interest prohibition, Abu Yusuf stated that there should be monetary transactions that generate income. It is the only method, according to Islamic fiqh, to make this income lawful (Kurt, 2010). The CWs' well-established religious heritage is evident in numerous ways. First, the fundamental principles and regulations of the CW system were derived from Islamic law, which demonstrates the system's religious origins. Second, the revenue generated by the CWs was used to fulfill the social and humanitarian requirements of the community, in accordance with the Islamic principles of charity and compassion. In addition, the participation of religious authorities and scholars in the administration and management of the CWs strengthens their religious nature. In addition, the continued operation of the CWs for centuries, with many still in operation today, demonstrates the robustness and sustainability of the system, which is based on Islamic principles of social justice and communal welfare. Consequently, it can be asserted that the religious foundation of the CWs is profoundly engrained and has been a significant factor in their success and endurance.

It is evident that the gain from the cash were considered as profit from the terms written in waqfiyahs such as *murâhaba-i mer'iyye*, *istirbah*, *istiglal*, *irbah*, *idane*, *ribh*. But there are debates about what methods are used for the profit purpose. Some of researchers claim that the most widespread of these methods was *bey'u'l-iyne*. However, the conditions of waqf show that it is not entirely right. Because the borrower from the waqf is especially defined as traders or artisans in some waqfiyahs (Bulut vd., 2019; Bulut and Korkut, 2019). Moreover, the condition for avoiding interest-bearing transactions is also written in waqfiyahs. The methods used in CWs (*qard*, *mudarabah*, *bidaa*,

murabahah , istihlal, rental transformation, the remuneration from Awqaf-ı Humayun, istirbah at Kismet-i Askeriyye Court) were under the Islamic principles (Korkut and Özgür, 2017:137-138).

During the Ottoman era, charitable institutions known as CWs acquired prominence, distinguishing themselves from traditional waqfs by having monetary capital. Individuals contributed to CWs with the intention of making charitable donations. The collected funds were evaluated using Islamic methods and procedures, ensuring the continuation of charitable services and addressing the financial needs of society. Entrepreneurs, merchants, and artisans in need of capital could borrow from CWs. The establishment of CWs was based on the ideals of the ulema class, which were supported by mujtahid imams on a religious level. By combining the perspectives of mujtahid imams and ulema, the Ottoman Empire demonstrated its adaptability and adaptability to changing circumstances.

CWs and Business World

The expansion of the Ottoman Empire and the expansion of the economy necessitated a greater need for capital for ventures and investments, which the CWs played a crucial role in satisfying. In contrast to banks, which transferred their income and profit to their proprietors, the CWs served as financial institutions that spent their profit in accordance with their purposes. As a consequence, CWs became an integral component of the Ottoman Empire's financial landscape. Even though the bank institution was well-established in Europe, neither institutionally nor mentally, it was unable to penetrate Ottoman society. Even in the most remote villages, Ottoman CWs were established to finance religious services, educational institutions, and other infrastructure for the benefit of the entire society (Tuğrul and Bulut 2017). With the assistance of CWs, entrepreneurs in need of investment capital were able to borrow at reasonable interest rates, making investment accessible to a larger population. This inclusive approach of the CWs played a significant role in promoting economic growth and development in the Ottoman Empire, in addition to helping to meet the financial requirements of the society.

Even after many years, the structure of the CWs in the Islamic world has not changed. Wealthy benefactors donated money, and the investments generated profits that will go toward waqf. Numerous aspects of the CWs are discussed, ranging from the methods of financial investment to the formation procedure. CWs held a unique position among the established waqfs, as they addressed diverse aspects, including religious, social, economic, and administrative concerns. Founders of waqfs provided information about their charitable intentions or their establishment and outlined the conditions of use and operation of the donated property or assets, sometimes discussing all these aspects simultaneously and sometimes discussing them separately. This is evident on the waqf of Grand Vizier Arnavut Kara Ahmed Pasha Waqf, for

instance. Grand Vizier Kara Ahmed Pasha stipulated that his donated funds must be managed in accordance with Shari'a principles, at a non-interest operating rate of 10%, and without causing any damage. He intended for the funds to be granted to individuals who could provide evidence of a secure mortgage and an affluent guarantor, as well as repayment ability. Moreover, he added measures such as not lending to travelers, especially seafarers, notable figures, people with dubious reputations, spendthrifts, students with an emphasis on academic pursuits - to deter them from engaging in trade -, sayyids, and those known for their extravagance (Çınar, 2017).

There are numerous instances of cash waqfs that permit merchants and artisans to use currency. The terms *mudaraba* and *musharake* are not used in the *waqfiyahs* describing the partnership models utilized by CWs. However, the description of the borrower's characteristics, which emphasizes merchants, artisans, and craftsmen, suggests that the debt issued by CWs should be granted to those engaged in commercial and productive activities. In addition, the provision that prohibits lending money to professionals with a fixed income, such as civil servants and *ulama*, indicates that CWs do not offer cash-based loans, such as consumer loans (Korkut and Bulut, 2017).

Although, there were waqfs founded by people who came together, the CWs generally were founded by one person who had capital. So, the capital of the waqf directly related with the wealth of the founder. The Fifth Council of the Lateran decided to lighten the interest ban in Europe at 16th century and the interest incomes had started to be given in fund collecting while the CWs were becoming widespread (Çizakça, 2002). In same period, Europe begun to focus on the return of capital. However, the founder had no expectation from the capital that he donated for waqf.

One of the critics to the CWs, as well as other waqfs is that the waqfs were used for transferring capital and wealth to next generations of the founder. But only 15% of the waqfs were family waqfs in the 19th century, when monetization increased (Bulut, 2017:144; Bulut et al., 2019). This indicates that the primary objective of CWs is to provide charitable services based on religious principles.

Initially, European financial institutions provided interest on lending transactions. After the prohibition on interest was lifted, they also began to pay depositors interest income. Those who invested in CWs, however, did not anticipate such a return. Europe began to accumulate capital because of institutions that collect funds for both security concerns and interest income. With the accumulation of more capital, fundraising institutions were able to offer lower interest rates to larger populations. *Monte di pietà* (Italian), *mont de piété* (French), *monte de piedad* (Spanish), and *mount of piety* (English) are the origins of modern deposit banking (Çizakça, 2002). Due to the return of capital, banking (interest) became acceptable (normal and common) in

Europe. Despite the existence of large waqfs, no funds were collected in Ottoman CWs as was the case in Europe. Consequently, capital accumulation occurred, albeit to a lesser extent. But it had no desire to profit from money and interest transactions.

Çizakça (2002) argues that when the CWs distributed the capital they had amassed, they did not finance commerce or production, but rather made consumer loans. He also asserts that there were no musharakah or mudarabah contracts for entrepreneurs and investors in CWs, only interest-bearing loans. He claims that the interest rates on the debts were extremely high and that the financing terms were stringent. Examining the conditions for using money from CWs reveals, however, that only business owners, such as merchants or artisans, are eligible for loans. In addition, there are conditions regarding the avoidance of interest-bearing transactions. It is therefore incorrect to assert that these waqfs only provide consumer loans.

Mount piety institutions in Europe were able to lend significant quantities of money with the funds they had accrued over time, with the increase in funds accumulated following the initial issuance of micro-credits. One of the most significant characteristics of the CWs is that they continued to use micro-credits until the end of the empire, as they did not accumulate large capitals and did not operate solely for charitable purposes. In this manner, the mountain of religious institutions had become one of the West's most significant sources of trade and production. In the Ottoman Empire, however, a prohibition on interest and applications designed to prevent the accumulation of capital by certain groups and individuals prevented the accumulation of capital by ordinary people from displacing the large capital proprietors. In addition, the accumulation of wealth by wealthy parties was prohibited. Consequently, the Ottomans were able to regulate the income disparity in their society. This concern motivated the opposition of the ulema to the transformation of CWs into deposit institutions within the Ottoman economic and financial mentality. The reason for this situation was not the ulema's inability to render jurisprudence but its worldview. This worldview, which did not anticipate a conflict of interests but rather parallel interests and justice, sought to prevent class-based income inequality (Çizakça, 2002). The CWs had a different financial structure than the financial institutions that developed in the West. Unlike Western financial institutions, CWs were founded with the intention of not pursuing profit and not receiving a portion of the waqf income. This meant that the complete income was spent for the benefit of society, establishing defined financial boundaries for CWs.

Borrowing Cost Rates at CWs and Capital Accumulation

Adam Smith's argument that there is a correlation between interest rates and profit rates in the market for capital accumulation may have been valid for the Western world, but the Ottomans were a different story. Due to their

distinct financial mindset, the Ottomans approached interest rates and capital accumulation in a different manner. According to Smith, the market financing rates for capital accumulation should be fifty percent of the profit rate, which for commerce and production in the West ranges from 5 to 20 percent. However, Ottoman financing rates ranged from 2.5% to 10%, and the anticipated profit ratio for trade and production was between 5% and 20%. In spite of this, financing rates on Ottoman capital markets had increased by 15% to 25%. This impeded the accumulation of capital and slowed the expansion of the economy (Çizakça, 2013). The borrowing rate in the capital market between 10% and 15%. In general, financing rates in CWs remained between 10% and 15%. Due to the cost of financing CWs provides entrepreneurs with a limited opportunity to accumulate capital (Korkut and Bulut, 2017).

Formula 1. *Required condition for capital accumulation*

The loan interest rate was of the utmost importance because it prevented usurers from dominating the market. Waqfiyahs indicate that the average rate was 15%. Due to restrictions on interest rates and the requirement to allocate interest proceeds to social objectives, the establishment process and the need to regulate charitable foundations' (CWs) activities were crucial. The problem of establishing CWs was addressed by drafting and approving a legal order in the form of a waqf foundation document. Accounting practices were implemented to solve the issue of overseeing and administering CW operations (Demirhan, Susmuş, and Gönen, 2012). A significant component of their businesses consisted of credits borrowed from CWs, but they had no intention of amassing immense sums of capital and investing in expansive enterprises. Due to this, they were unable to compete with the financial strength of European banks that emerged after the 18th century. The emphasis on small businesses was not, however, due to the limited purview of the CW contracts. The fundamental difference between CWs and European financial institutions was that CWs were philanthropic and sought to improve the welfare of society, whereas modern banks prioritized profit and maximizing shareholder interests. In order to continue their charitable and philanthropic endeavors, cash waqfs preferred to invest in low-risk enterprises (Bulut and Korkut, 2016; Kudat and Ceyhan, 2020). All of this demonstrates that CWs stimulate the economy without causing capital accumulation. Consequently, the Ottomans established an economic system that provided an equitable distribution of income, while also utilizing waqfs to provide state-related services.

The operation of CWs depended on production and commerce, or the real sector. A service, real estate, or commodities were used to avoid interest in the transactions. This situation is contrary to the fundamental principles of institutions. Because banks are based on interest when accumulating funds and

extending loans, Moreover, those who founded banks were large traders who already possessed enormous wealth and capital. However, this was not the case in CWs. People from both in ruling class and the reaya class were able to establish CWs. In addition, those with very little accumulation came together to form a certain amount, and they were able to jointly establish waqfs that were not possible to establish while they were alone.

CWs as Pioneer of Interest-free Financial Institutions for A Fairer Business World

The methods used to generate money from donated funds in CWs are the pioneers of the methods used by today's Islamic/interest-free financial institutions. Although CWs are separated from interest-free financial institutions in terms of their purposes, today's participation banks are the successors of CWs in terms of methods used.

The cash money that is donated to the CWs was used in accordance with the purposes of the waqf that were written in waqfiyah document. The definition of the income of the money in CWs was differ from the interest and riba . The term ribh , ie the concept of profit, was emphasized when mentioning about the return of cash. In this respect, the methods applied can be seen as transactions based on a certain commodity trade or labor-capital partnership rather than direct cash-based debt or loan.

The CWs were institutions with dual beneficiary status. The revenues of the waqfs were used for the purposes of the waqf, and the activities that generated the foundation's income also provided interest-free loans to cash-strapped entrepreneurs. In addition to protecting entrepreneurs from financiers with excessive interest rates, the CWs prevented the institution of usury. The CWs had demonstrated their dedication to advancing the progress and welfare of society. Their religious and social aspects were inseparable and intertwined. Muslims had established enduring and sustainable philanthropic institutions through the profitable investment of waqf funds (Kudat and Ceyhan, 2020).

Islamic civilization has a rich history of developing financial and economic institutions, which have been continuously adapted to meet the changing needs of Muslims (Chaudhuri, 1985; Çizakça, 1996). These institutions have played a crucial role in regulating the economic lives of Muslims and meeting their financial requirements. One of the distinguishing characteristics of Islamic financial institutions is their adherence to universally appealing moral principles and practices. Integral to Islamic teachings, these principles include equity, justice, and social responsibility. Islamic finance is predicated on the prohibition of interest, which is viewed as exploitative, and the promotion of risk-sharing, which is viewed as a fairer and more equitable method of conducting financial transactions. In the modern era, Islamic civilization

has been able to incorporate its moral values into its financial institutions, which operate within the framework of Islamic law. This has allowed Islamic financial institutions to distinguish themselves from those formed by a capitalist mentality and a capitalist economy. The process that began with the CWs during the Ottoman period and provided the Ottomans with years of independence from banks and other capitalist financial institutions continues today with Islamic/interest-free banks and participation banks. These banks operate under a profit-and-loss sharing model, in which the depositor and the bank share the profits and losses of an investment. This ensures that both the depositor and the bank share in the investment's risks and rewards. In addition, Islamic banks offer a variety of financial products and services, such as loans, savings accounts, and investment opportunities, all of which conform to Islamic principles. Islamic banks, for instance, provide murabaha, a form of cost-plus financing in which the bank purchases a product or service on behalf of the customer and then resells it to the customer at a markup.

Interest-free financial institutions and their practices have spread across the globe, expanding the appeal of Islamic finance beyond Muslim countries. This is due to the allure of the Islamic finance model, which places a premium on social responsibility, impartiality, and justice. In addition, the Islamic finance industry has expanded significantly in recent years as an increasing number of nations recognize its potential to contribute to their economic development. Overall, the principles and practices of Islamic economics and finance offer a distinctive perspective on financial and economic systems, one that places a premium on fairness, justice, and social responsibility.

Today, after the financial crises induced by the modern financial system, Islamic finance methods are prioritized in the quest for alternatives. The practices in mercantilist period and the homo-economicus people of the time served as the foundations of the modern economic mentality, which is what fuels crises today. Given that it is predicated on its foundations and origins, the modern system cannot produce solutions to its own problems. The discovered solutions are temporary. The CWs and their successors, interest-free financial institutions, can generate solutions to today's financial problems by focusing on equitable distribution rather than capital accumulation. Money or other assets viewed solely as a means of accumulation are detrimental to the equitable distribution of income (Madi, 2014:76–77). The moral principles and practices of Islamic economics and finance are founded on the universally appealing principles of fairness, justice, and compassion, which transcend all religions and cultures.

Islamic finance prohibits the practice of charging interest, or usury, which is viewed as exploitative and promotes an unequal distribution of wealth. Instead, Islamic finance operates according to the principles of risk-sharing and profit-sharing, in which both the financier and the entrepreneur partake in the investment's risks and profits. This system not only promotes innovation

and entrepreneurship but also social justice and economic equality. In recent years, Islamic finance has acquired prominence not only in Muslim countries but also in the West, where many are disillusioned with the conventional financial system.

The potential of the Islamic world has facilitated the globalization of interest-free financial institutions and practices. Today, Islamic finance is a rapidly expanding industry with estimated assets worth trillions of dollars, and it has garnered recognition and respect from conventional financial institutions and regulators (ICD, 2022). Islamic finance is successful due to its adherence to moral and ethical principles, its emphasis on social responsibility, and its innovative financial products and services that accommodate to the requirements of a wide variety of consumers. It shows stability and resilience during the crisis time (Smolo and Mirakhor, 2010). Islamic finance is poised to play an increasingly important role in the global economy as the world becomes more interconnected and the demand for ethical and sustainable finance increases.

Often, interest-free financial institutions are viewed as a means to foster a more equitable business environment. This is because these institutions operate on the principle of profit and loss sharing, which means that all parties share the risks and rewards of investments. This model promotes transparency and accountability in business transactions by requiring all parties to have a stake in the venture's success. Moreover, interest-free financial institutions frequently prioritize socially responsible investments, such as those that promote sustainable development or provide essential services to marginalized communities. These institutions can help promote a more equitable distribution of resources and opportunities by emphasizing these types of investments. By fostering ethical and responsible business practices, interest-free financial institutions have the potential to contribute to a more just and equitable business environment.

As an interest-free financial institution, CWs can promote charitable causes and serve as a financial instrument for investors to contribute to these causes while earning profits without engaging in interest-based transactions. In Islamic finance, which promotes equity, justice, and ethics in financial transactions, interest-free financing is a fundamental concept. Due to the current global economic system's heavy reliance on interest-based financing, the use of interest-free financial institutions, such as cooperatives, can promote a more equitable and moral business environment. CWs can alleviate the financial burden of individuals and enterprises. Because interest-based financing can cause individuals and businesses to accrue substantial debt due to interest payments, which can lead to financial duress and insolvency. (Abdullah, 2013). Interest-free financing, on the other hand, allows individuals and businesses to invest and expand without accumulating excessive debt. This encourages

the development of a more just and sustainable business environment where people and businesses can grow without worrying about paying excessive interest. The conduct of CWs in financial transactions is ethical.

Market forces determine interest rates in conventional financing, which can result in exorbitant rates for individuals and businesses, particularly those with bad credit ratings. On the other hand, CWs can establish an equitable system for financial transactions in which investors and creditors are not exploited for profit and the terms of the investment are based on the investment's performance. A further benefit of CWs is that they promote social welfare. The investment's proceeds from the CW go toward charitable endeavors like providing for the needs of the underprivileged, funding education, and funding healthcare. This ensures that the benefits of investment are extended to society as a whole and not just to the investors. This assures a more just and equitable society in which wealth is not concentrated in the hands of a few but rather distributed for the benefit of all.

CWs are helpful for entrepreneurship and innovation. Due to conventional financing's high interest rates, individuals and businesses with low credit ratings or operating in high-risk industries may find it difficult to obtain financing. On the other hand, CWs can implement a method for these individuals and enterprises to obtain financing without accruing the high interest-related debt. Individuals and businesses are able to invest in new ventures or expand their operations without amassing substantial debt, as they are no longer constrained by high-interest payments. This can encourage entrepreneurship and innovation.

Conclusion

It is common knowledge that people reside in communities and engage in a variety of activities, such as production, to generate profits. These activities are the foundation of economic strength. One of the elements of this economic influence has been identified as the accumulation of capital in monetary terms or capital products in terms of production. During the Mercantilist period in Europe, the accumulation of capital became a symbol of authority. During this time, states concentrated on amassing precious metals. In turn, this accumulation led to the establishment of financial institutions such as banks. The banks collected and accumulated cash from individuals through interest-bearing transactions, and then distributed this accumulated capital to those in need of cash with interest. Consequently, capital was viewed as a factor of production, and the capitalist system was born.

The Ottoman economic structure and financial outlook were distinct from those of the West. The Ottomans attempted to establish a system that would prevent inactive funds. They acted in accordance with the Islamic economic mentality,

which emphasized infaq (spending in Allah's service) and institutionalized charitable services by establishing waqf. Due to the minimal transaction costs of CWs, not only real estate but also movable property can be donated readily, making it simpler for people to donate. The contribution of CWs to commerce and production must not be ignored. However, the fact that the lending rates of CWs were close to market net profit ratios made it challenging to accumulate capital through these activities.

The prohibition of usury was one of the most significant differences between the Ottoman and Western financial systems. Legal restrictions on the lending rates of the CWs prevented capitalists, large merchants, and producers from accumulating large amounts of capital. As was the case with the timar system, this prohibited the accumulation of capital and wealth in certain individuals and groups within the financial system. In addition, the avoidance of interest-bearing transactions in CWs paved the way for modern financial institutions that do not charge interest.

In spite of their differences, the Ottoman and Western financial systems share a common goal: the creation of wealth. However, the creation of prosperity and its distribution in society are not identical. In a capitalist system, capital accumulation only enhances the wealth of the capital proprietor; this benefit is not shared by all members of society. The Ottomans, on the other hand, regarded the social benefits of the waqfs. The waqfs were utilized as resources and wealth transfer mechanisms, ensuring that there were no classes in Ottoman society that accumulated capital and negatively influenced the distribution of income. In this circumstance, the influence of CWs is significant for Ottoman society.

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