

T.R.
ISTANBUL SABAHATTIN ZAIM UNIVERSITY
GRADUATE EDUCATION INSTITUTE
DEPARTMENT OF ISLAMIC ECONOMICS AND FINANCE

**TESTING THE AWARENESS OF WAQF AND ISLAMIC
MICROFINANCING FOR POVERTY ALLEVIATION IN
MINDANAO PHILIPPINES**

MA THESIS

Salama LAMPATAN

Istanbul

January-2024

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Supervisor

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THESIS APPROVAL

This study has been approved in partial fulfillment of the requirements for MA Degree in Islamic Economics and Finance.

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DECLARATION OF SCIENTIFIC ETHICS AND ORIGINALITY

This is to certify that this MA thesis titled “Testing the awareness of waqf and Islamic microfinancing for poverty alleviation in Mindanao Philippines” is my own work and I have acted according to scientific ethics and academic rules while producing it. I have collected and used all information and data according to scientific ethics and guidelines on thesis writing at Sabahattin Zaim University. I have fully referenced, in both the text and bibliography, all direct and indirect quotations and all sources I have used in this work.



Signature

Salama LAMPATAN

Istanbul, 2024

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All praise is due to Allah the Almighty for everything that happens, and may Allah bestow peace and blessings on our Prophet Muhammad (Peace be upon him), his family, and all his companions. The life journey of seeking knowledge has also taught me the proper significance of all that. "*My success is only by Allah*". I'd like to extend my gratitude to Allah (سبحانه وتعالى) for the blessings and assistance he has given me throughout my master's degree education journey. Every one of the chances, health services, and energies that I had to complete this thesis were provided by Allah, the Almighty.

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2024

ABSTRACT

TESTING THE AWARENESS OF WAQF AND ISLAMIC MICROFINANCING FOR POVERTY ALLEVIATION IN MINDANAO PHILIPPINES

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This research presents an assessment of the knowledge levels concerning *waqf* and Islamic microfinance as viable strategies for poverty alleviation in Mindanao, Philippines. To gather primary data from a sample of 204 participants, a comprehensive survey questionnaire was used. The collected data was analyzed using statistical software such as (SPSS and Excel). The findings reveal a notable disparity in awareness and comprehension of *waqf* and Islamic microfinance among the surveyed individuals. While *waqf* enjoys a relatively high level of recognition, Islamic microfinance is rated as neutral. Despite some responses indicating limited awareness of contemporary Islamic microfinance methods, the overall awareness of these approaches remains relatively low. These disparities in knowledge underscore the potential for targeted initiatives designed to address poverty-related challenges and enhance the capacities of the Bangsamoro communities in Mindanao, the Philippines. This research serves as a valuable resource for practitioners and policymakers, offering a foundation for driving positive change. By creating awareness and facilitating the appropriate utilization of *waqf* and Islamic microfinance, this research can contribute to the alleviation of poverty in the region and the empowerment of its communities.

Key terms: Mindanao, Bangsamoro communities, Philippines, *waqf*, Islamic microfinance, poverty alleviation, awareness

ÖZET

FİLİPİNLER'İN MINDANAO KENTİNDE YOKSULLUĞUN AZALTILMASI İÇİN VAKIF VE İSLAMİ MİKROFİNANS FARKINDALIĞININ ÖLÇÜLMESİ

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Bu araştırma, Mindanao, Filipinler'de yoksulluğun azaltılması için uygulanabilir stratejiler olarak vakıf ve İslami mikrofinans ile ilgili bilgi düzeylerinin bir değerlendirmesini sunmaktadır. 204 katılımcıdan oluşan bir örneklemden birincil verileri toplamak için kapsamlı bir anket anketi kullanıldı. Toplanan veriler (SPSS ve Excel) gibi istatistiksel yazılımlar kullanılarak analiz edildi. Bulgular, ankete katılan kişiler arasında vakıf ve İslami mikrofinans konusundaki farkındalık ve anlayış açısından kayda değer bir eşitsizliği ortaya koyuyor. Vakıf nispeten yüksek düzeyde tanınırlığa sahipken, İslami mikrofinans tarafsız olarak değerlendiriliyor. Çağdaş İslami mikrofinans yöntemlerine ilişkin farkındalığın sınırlı olduğunu belirten bazı yanıtlara rağmen, bu yaklaşımlara ilişkin genel farkındalık nispeten düşük kalmaktadır. Bilgilerdeki bu eşitsizlikler, yoksullukla ilgili zorlukları ele almak ve Filipinler'in Mindanao kentindeki Bangsamoro topluluklarının kapasitelerini geliştirmek için tasarlanmış hedefli girişimlerin potansiyelinin altını çiziyor. Bu araştırma, uygulayıcılar ve politika yapıcılar için değerli bir kaynak olarak hizmet etmekte ve olumlu değişimi teşvik etmek için bir temel sunmaktadır. Bu araştırma, farkındalık yaratarak ve vakıf ve İslami mikrofinansın uygun şekilde kullanılmasını kolaylaştırarak, bölgedeki yoksulluğun azaltılmasına ve toplulukların güçlendirilmesine katkıda bulunabilir.

Anahtar Sözcükler: Vakıf, İslami mikrofinans, yoksulluğun azaltılması, farkındalık, Mindanao, Filipinler, Bangsamoro toplulukla

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LIST OF ABBREVIATIONS

4Ps	: Pantawid Pamilyang Pilipino Program
NAPC	: National Anti-Poverty Commission
SLP	: Sustainable Livelihood Program
NCR	: National Capital Region
CAR	: Cordillera Administrative Region
PDR	: Poverty Reduction Strategy
SRA	: Social Reform Agenda
MNLF	: Moro National Liberation Front
NGOs	: Non-governmental Organizations
WB	: World Bank
RA	: Republic Act
BARMM	: Bangsamoro Autonomous Region in Muslim Mindanao
NCMF	: National Commission on Muslim Filipinos
JPI	: Jamiatul Philippines Al- Islamiyyah
JMM	: Jamiat Marawi Al- Islamiyyah Foundation
IMF's	: Islamic microfinance
AAOIFI	: Accounting and Auditing Organization for Islamic Financial
MFI's	: Islamic microfinance institutions
PLS	: Profit and loss sharing
BSP	: Bangko Sentral ng Pilipinas
NBFI's	: Non-Bank Financial Institutions
OBUs	: Offshore Banking Units
PHP	: Philippine Pesos
AAIIBP	: Al-Amanah Islamic Investment Bank of the Philippines

DBP	: Development Banking of the Philippines
IRR	: Implementing Rules and Regulations
BAO	: Bangsamoro Administrative Office
MOA	: Memorandum of Agreement
DOF	: Department of Finance
NCMF	: National Commission on Muslim Filipinos
BOL	: Bangsamoro Organic Law
SSB	: Services Selection Board
IDP	: Islamic Director of the Philippines
SEC	: State Commission
MSU	: Mindanao State University

CHAPTER I

INTRODUCTION

In 2021, regions bearing the lowest instances of family poverty included the National Capital Region (NCR), Cordillera Administrative Region (CAR), Region III, and Region IV-A at a regional spectrum. Meanwhile, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) constantly reflected the highest family poverty incidence, standing at 29.8 percent in 2021. Furthermore, it was observed that more than half of these regions exhibited notable shifts in their poverty incidences from 2018 to 2021. The regions displaying substantial increases comprised NCR, Mindoro Occidental, Mindoro Oriental, Marinduque, Romblon, and Palawan (MIMAROPA), as well as Regions I, III, IV-A, VI, VII, and X. Contrastingly, significant reductions were noticed in the instances of poverty in the CAR, Region XI, and (BARMM) (Poverty et al., 2022).

Table 1. 1: Annual Per Capita Poverty Thresholds And Poverty Incidence Among Families, By Region: 2015, 2018, and 2021

Region	Annual Per Capita Poverty Threshold (in PHP)			Poverty Incidence among Families					
				Estimates (%)			Coefficient of Variation		
	2015	2018	2021	2015	2018	2021	2015	2018	2021
PHILIPPINES ^{1/} _{2/}	22.747	25.813	28.871	18.0	12.1	13.2	2.1	1.4	1.4
NCR ^{1/} _{2/}	25.188	28.682	32.978	2.8	1.4	2.2	10.7	10.4	6.7
CAR ^{1/} _{2/}	22.985	24.907	28.304	17.1	8.6	6.9	11.0	5.3	5.4
Region I ^{1/} _{2/}	22.762	27.055	31.113	14.0	7.0	11.0	8.4	9.6	6.8
Region II	22.622	25.099	28.292	13.1	12.5	11.7	7.9	6.4	7.1
Region III ^{1/} _{2/}	22.867	26.954	31.584	8.3	5.2	8.3	9.7	6.4	5.7
Region IV-A ^{1/} _{2/}	25.642	27.928	31.059	9.2	5.1	7.2	8.6	7.3	6.4
MIMAROPA ^{1/} _{2/}	20.369	23.315	26.321	18.0	10.5	15.0	11.0	6.5	5.1
Region V ^{1/}	22.503	24.461	27.675	31.0	20.0	21.9	5.4	4.0	4.0
Region VI ^{1/} _{2/}	21.921	24.494	27.083	18.5	11.9	13.8	7.6	6.2	5.3
Region VII ^{1/} _{2/}	22.644	25.745	31.220	24.9	13.4	22.1	5.8	6.1	5.1

Region VIII ^{1/}	22.398	24.987	26.848	33.0	23.9	22.2	6.2	3.6	4.1
Region IX ^{1/. 3/}	22.557	25.650	28.739	29.7	25.4	23.4	7.0	4.3	4.3
Region X ^{1/. 2/}	23.020	24.835	28.836	32.3	17.3	19.2	6.3	3.8	4.4
Region XI ^{1/. 2/}	23.146	25.953	28.102	18.0	13.9	11.9	8.0	5.1	4.8
Region XII ^{1/. 4/}	21.341	25.023	26.443	31.2	22.4	21.4	7.0	4.8	4.6
Caraga ^{1/}	22.788	25.375	27.335	31.1	24.1	25.9	5.8	3.5	3.5
BARMM ^{2/}	22.650	27.715	28.293	53.8	54.2	29.8	5.2	2.6	4.0

Source: Philippine Statistics Authority

Notes: 1/ According to the t-test with a 10% significance level, the alterations experienced between 2015 and 2018 were statistically significant. 2/ Similarly, the t-test at a 10% significance level reveals that the changes noted from 2018 to 2021 were also statistically noteworthy. 3/ This consideration includes information related to Isabela City. 4/ Cotabato City's data was also incorporated.

Poverty has long been a significant concern for many Filipinos and their governments, (Schelzig, 2005). Some major broad categories characterize the causes of poverty among Filipinos and the government's major causes; (i) poor microeconomic maintenance; (ii) employment concerns; (iii) rapid population growth; (iv) a poorly performing agriculture industry and an unreleased land redistribution agenda; (v) government stability, such as a weak government and corruption; and (vi) conflicts and security considerations, especially in Mindanao. (Schelzig, 2005; Llanto & Ballesteros, 2003; World Development Report, 2004; Tigno, 2006; Malapit & Clemente, 2010; Thompson & Dahling, 2019). These initiatives put a strong emphasis on supporting profitable livelihoods, engaging communities that are marginalized, and helping the neediest people.

For instance, the Pantawid Pamilyang Pilipino Program (4Ps) has given families with low incomes limited financial assistance to enhance their standard of living and make investments in their children's health and schooling. Additionally, initiatives like the National Anti-Poverty Commission (NAPC) and the Sustainable Livelihood Program (SLP) strive to expand job possibilities and encourage grassroots efforts for improvement. The Philippines' slow battle against poverty is a result of the government's ineffective political strategies, which is surprising given the government's capacity to meet fundamental societal demands (Orbeta & Paque, 2016; Agbola et al., 2017). The Country tends to focus on the practical aspects of that problem. Also, because in the past 40 years, the economy of the underdeveloped country has grown. Often responsible for the country's poverty. Filipinos in the nation feel that long-term economic progress is for their own good, according to the predictions of the Annual Report ADB (2017) and World Bank (2022).

In response to numerous factors that contribute to poverty in this country, suffering from poverty and will be addressed through the country's mentioned program, attention should be paid to the Philippine government's promotion of policies that encourage inclusive development in the nation. This will also result in improved management. The Country is composed of three main archipelagoes: Luzon, Visayas, and Mindanao. It's widely accepted that the initial introduction of Islam to the country was achieved by Muslim traders who landed on its shores in the 13th century (Montiel al.,2012).

In Mindanao, numerous people come from various linguistic, religious, and ethnic backgrounds. The “Moro Nation” is additionally called a certain “Bangsamoro” furthermore similarly is made up of numerous linguistic groups. The “Moros” or “Bangsamoro”, a recently created appellation that has gained more popularity among individuals, represents approximately 20% of the population of Mindanao. Throughout the Philippines, the Mindanao islands are home to the majority of the country's Muslims. Thirteen Muslim ethnic groups are the Iranun groups, the Magindanaon groups, the Maranao groups, the Tao-Sug groups, the Sama groups, the Yakan groups, the JamaMapun groups, the Ka'agan groups, the Kalibugan groups, the Sangil groups, the Molbog groups, the Palawani groups, and the Badjao groups.

They are also collectively called the "Bangsamoro people" (Montiel et al.,2012; Paredes, 2015). However, the Spaniards did not view their attempts on Muslims as acts of piracy.

As the collective identity of Muslims in Mindanao, the term "Moro" became a badge of pride among Mindanao Muslims in the early 1970s after the Moro National Liberation Front (MNLF) and Bangsamoro (Moroland) claimed this title (Montiel et al.,2012). The Spaniards coined the term "Moro" to characterize the Muslim rulers of the Iberian Peninsula from 711 to 1492, nearly 800 years passed. Muslims were renamed Moros by Spanish invaders when they encountered them in the Philippines. When Muslims were discovered in the Philippines by Spanish invaders, they were labeled "Moros." The Muslims of Mindanao despised this label for many years because it was given to them for most of the colonizers' 333-year stay in the Philippines, by Spaniards who fought wars against them. Because of their revenge attacks against Christian villages when under Spanish rule territory, Mindanao

Muslims were called "Moro Piratas" by Spaniards, causing complications during colonialization (Montiel et al.,2012; Paredes, 2015).

Furthermore, the Philippines' frequent range of environmental economic problems and natural calamities, reduced poverty reduction growth elasticity, insufficient resources for employment and underemployment, a rising inflation rate, an unrestrained rising population, and the existence of continuous structural inequalities and social inequalities are all the primary causes of economic hardship (Asian Development Bank, 2009). If governments are provided with misleading and untrustworthy information or ideas, traditional poverty-reduction formulas and techniques may fail. Lawmakers must therefore consider the previous frustrations and contemporary injustices that the Philippines' Muslim community has faced over the previous 50 years. According to the World Bank (2022), although the previous administration, Rodrigo Roa Duterte's government has demonstrated considerable devotion to the fight against poverty programs. The Islamic concept's divine nature of the Philippines' social security system must be effectively integrated into, the national recovery program's "determined direction". Taking into account the state's commitment to maintaining a distinct boundary between the church and state, realigning the Islamic nation of social security with the national system is bound to face legal and constitutional opposition (Tagoranao & Alizaman D. Gamon, 2016).

According to the World Bank (2022), poverty is a concern in this country. Consideration reveals that the Philippines experienced rates of misery and poverty of 21.9% in 2018 and 23.1% in 2017. The Philippines is generally considered to be quite underdeveloped. They share the average Filipino's perception that up to 16% of the population lives in poverty. Despite there being socioeconomic differences among the 17.6 million Filipino residents, we can see practically all of them continue to rely on agricultural products provided by the national government. To help with their most basic needs or requirements. Based on these local data, the percentage of people living between 2015 and 2020, the percentage of people living in poverty dropped from 21.6% to 16.6%. The previous President's administration, President Rodrigo Duterte hopes to lower poverty to 14% by 2022 as a result, the World Bank mentioned, that there is a way that poverty in the Philippines will decrease to 19.8 percent in 2020 and 18.7 percent, and now in the year 2021. According to World Bank projections, the poverty rate in the Philippines will drop to 20% in the year 2020 and will remain until

the year 2021. When the contract of President Rodrigo Duterte will end here (World Bank, 2022).

Inside these Philippine islands, masjids, Islamic schools, and a few Muslim-focused social services in need were established using the *waqf* properties. This type of *waqf* supports the growth of Muslim Mindanao's Bangsamoro Autonomous Region, which is in the Southern Philippines (BARMM). *Waqf* is used for religious activities in many Muslim cities on the Philippine Island of Mindanao. There are many "madaris and masjids" in Marawi; the Masjid Islamic Center and Madrasah *waqf* Qismul Banaat are in the city's center, respectively. Jamiatul Philippine al-Islamiyyah (JPI) was built by a wealthy family under their family *waqf*, Maahad Marawi Al-Islami, with funding from the Islamic Saudi Arabian Kingdom's Development Bank. The buildings were built by a non-profit executive who belongs to donation from an Asian country and is frequently used to support a *waqf* family (Tagoranao & Alizaman D. Gamon, 2016).

Although the Philippines has established various *waqf* programs and government-run microfinance efforts, there is a notable shortage of Islamic microfinance solutions that meet the necessities and beliefs of the Muslim minority in Mindanao. The Philippines, however, faces enormous issues with poverty, commonly used in conventional microfinance choices (*riba*), or interest, which is prohibited in Islam.

Therefore, among the Muslim communities in Mindanao, there is a pressing need to investigate and establish *Shari'ah*-compliant alternatives to traditional financing.

The purpose of this thesis is to determine how well-informed the Bangsamoro community in Mindanao, the Philippines, is about *waqf* and Islamic microfinance as viable tools for securing resources and alleviating poverty. Stakeholders can collaborate toward accelerating the growth of the microfinance business with *Shari'ah*-compliant solutions catered to the demands and principles of the local people by recognizing the community's awareness of and willingness to these approaches.

In the end, raising awareness of and expanding access to Islamic microfinance possibilities may help reduce poverty in the Philippines' Mindanao region and more effectively meet the unique requirements of the Muslim community.

1.1 The Significance of the Study

The thesis, considering assessing and perspective: This examines the Bangsamoro population in Mindanao's assessment and perspective of *waqf* and Islamic

microfinance. To ensure the successful execution and exploitation of these financial instruments for achieving poverty, it is essential to comprehend public perceptions and comprehension of these. Poverty alleviation: The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) has long struggled with underdevelopment and poverty. To provide a viable alternative to traditional financial systems, the research attempts to establish a relationship between the use of *waqf* and Islamic microfinance and the potential for poverty alleviation in the region. The regional capacity: Islamic principles and beliefs, which are significant to a large proportion of Bangsamoro people, form the groundwork of these procedures.

The possibility of success in attempts at poverty alleviation can be increased by exploring financial tools that are consistent with their religious beliefs. This can lead to greater engagement and participation. The research findings could aid in the creation of policies and programs that promote the use of these financial tools by evaluating public awareness and perception of them. This might encourage their adoption and support the socio-economic growth of the area. Strategy affects policymakers, researchers, and practitioners who can learn from the study how to best address poverty in areas with a Muslim majority by using *waqf* and Islamic microfinance. It helps to comprehend the awareness, views, and potential of *waqf* and Islamic microfinance for reducing poverty among the Bangsamoro people in Mindanao, which may result in changes to policy and the upward mobility of a previously underprivileged population. This thesis could aid in the development of efficient plans and policies that are specifically suited to the needs of the Bangsamoro people. Additionally, this thesis reveals alternative financial tools that are in line with the religious beliefs and values of the Bangsamoro people and empower them to take charge of their future financially by revealing the possibilities of *waqf* and Islamic microfinance in alleviating poverty, which is highly relevant from both a socioeconomic and cultural aspect.

Finally, this thesis can also serve as a related study or literature for future researchers who are planning to explore this same topic.

1.2 The Objective of the Study

Knowledge and awareness are linked, and they are continually important factors in evaluating people's viewpoints.

Knowledge can help provide specific insights in certain areas; for example, that makes it easier for practitioners, specialists, and policymakers to analyze and make a certain point that makes them decide based on those provided insights. In the setting of a *waqf* and Islamic microfinance institution, for example, a basic grasp of *waqf* and Islamic microfinance the value is that it is important to first understand the main knowledge, the main potentials, and mechanisms, as well as the incentive schemes for the betterment of these establishments of *waqf* and Islamic microfinance, which has always been important in developing the general objectives of the thesis.

Hence, the research's main objectives are:

- To illustrate and explain the *waqf* structure in Mindanao Philippines.
- To illustrate and explain the Islamic microfinance in Mindanao, Philippines.
- To assess the awareness of *waqf* among the Bangsamoro people in Mindanao, Philippines.
- To assess the awareness of the Bangsamoro people in Mindanao, Philippines, about Islamic microfinance.

To summarize, the primary goal is to assess one's awareness and understanding of the Bangsamoro people of Mindanao, Philippines.

If people are sufficiently informed about *waqf* and Islamic microfinance, it is acceptable. Could assist with the funding that can be used to support the alleviation of poverty in Mindanao, Philippines.

1.3 The Research Questions

The purpose of this thesis is to have responses to the points that follow:

1. What are the *waqf* structures in Mindanao, Philippines?
2. What are the Islamic microfinancing structures in Mindanao, Philippines?
3. How aware are the Bangsamoro people in Mindanao Philippines, about Waqf?
4. How aware are the Bangsamoro people in Mindanao Philippines, about Islamic microfinance?

1.4 The Statement of the Problem

In the Philippines, the absence of microfinance expertise in some regions has been a barrier to promoting financial inclusion for the disadvantaged and encouraging the

avoidance of dangerous substances, particularly in Muslim-dominated regions like BARMM. In the perspective of Islamic banking, *riba*, or interest or usury, is forbidden since it is viewed as unlawful and harmful. This sort of *waqf*, which is centered on constructing mosques, madrasahs, and orphanages, is known as the social *waqf* or "*waqf Khairi*" because it has not evolved jointly with Islamic microfinance in the Philippines (Tagoranao & Alizaman D. Gamon, 2016). It strives to meet social and religious needs and is seen as a benevolent act in Islam. While *waqf* does not directly deal with poverty alleviation or financial aid, other Islamic remedies can complement *waqf* to deal with these problems. Several studies have been done, and it is now commonly agreed that *waqf* is essentially a land and property-based perpetual bequest, (Khan, 2019). All parties can benefit from these measures, but the Bangsamoro region's Muslim community stands to gain the most. To overcome these challenges, it can be helpful to design and implement alternative financial systems like *waqf* (endowment) and Islamic microfinance. Both strategies emphasize financial services and products that are *Shari'ah*-compliant and follow Islamic principles, better meeting the interests and beliefs of Muslim communities like the BARMM (Abdul-Majeed Alaro & Alalubosa, 2019). Cash *waqf* is a type of *waqf* that can be used to help people in need financially and fight poverty (Saiti et al., 2019). Muslims contribute money instead of tangible items like land or buildings, which are subsequently invested in ways to make money that are compliant with *Shari'ah*.

Furthermore, these profits could be applied to a variety of commercial and social goals. As opposed to that, *waqf* and Islamic microfinance are divisions of Islamic finance. Among the things low-income persons can receive, those who typically lack access to conventional financial services, are traditional or commercial banks that offer so-called interest-free financial services such as microloans, micro-savings, and microinsurance (Farina Mohamed & Fauziyyah, 2020).

These goods and services can encourage financial tools among Muslims in the Bangsamoro Autonomous Region, stimulate business management, and reduce poverty.

1.5 The Hypotheses of The Study

- **Hypotheses 1.** Muslims in Mindanao, Philippines, show that it is possible to form their waqfs based on their values and traditions.
- **Hypotheses 2.** Muslims in Mindanao, Philippines, show that it is possible to form their Islamic microfinancing based on their values and traditions.
- **Hypotheses 3.** The level of awareness of the people of Bangsamoro in Mindanao, the Philippines about waqf is low.
- **Hypotheses 4.** The level of awareness of the people of Bangsamoro in Mindanao, the Philippines about Islamic microfinance is low.

1.6 Research Methodology

According to Creswell (2013), the methodology of a study is its foundation, which assures its scientific validity, the precision of its findings, and the dependability of the data acquired. Furthermore, whether the purpose is to generate new information or to solve a specific problem, the essential goal of any study is to systematically analyze a research question.

The research methodology chapter's goal is to lay out and discuss the strategy used to carry out the research investigation.

Based on the framework suggested by Kothari (2013), this section elaborates on the research design, field of study, sampling strategies and sample size, data gathering methods, and data analysis methodologies.

1.7 Research Design

This thesis was conducted using quantitative research. According to Kothari (2004), the research design is a framework for gathering, measuring, and interpreting data. Based on this research design, the method directed by this research procedure can give the research a framework. Also, the said procedure outlines the whole strategy of a researcher to gather, measure, and analyze the data, and it is said to be wise to choose the best method for preparing the specific research questions that can be answered.

The systematic gathering and analysis of numerical data are topics covered by the quantitative method. It analyzes the data using a variety of statistical and mathematical techniques, enabling the discovery of trends, patterns, and correlations. This kind of research is beneficial for examining connections between many factors and testing hypotheses in a more controlled and impartial way (Kothari, 2004). Researchers can gather information on how frequently particular replies or types of responses are given to keep track of the frequency of responses. Examining the respondents' knowledge of the topic is necessary to determine the average level of responses. Researchers can determine the overall level of knowledge on a given issue and compare it to expected levels of awareness by adding the scores of all responders and dividing by the total number of participants. This is particularly relevant given that the goal of the research is to gauge respondents' awareness. With this method, both the frequency and average degree of responses are recorded.

1.8 Study Area

The research focuses on Mindanao Island in the Philippines, even though the research was primarily conducted online survey, the Philippines consists of three separate islands: Luzon, Visayas, and Mindanao. This is widely recognized. Mindanao island is where Muslim traders who migrated to the Philippines in the thirteenth century first brought Islam to the country (Montiel, Rodil, & De Guzman, 2012).

In this research area is Mindanao Island where common knowns are home to numerous populations with diverse ethnic, religious, and linguistic backgrounds, and heritage. The "Bangsamoro" also referred to as the "Moro Nation" is made up of several linguistic groups, with Mindanao being the largest. The term "Moros or Bangsamoros," is a relatively new designation that has gained increased recognition among them. in the Philippines, highlights the identity of Muslims in the area (Montiel, Rodil, & De Guzman, 2012).

1.9 Study Population and Sample Size

A study's population is the group of individuals, organizations, or components from which researchers intend to collect data, draw conclusions, and extrapolate to a wider group (Kadam, & Bhalera, 2020).

In this thesis, the researcher selected a sample population of learners, employees, and financing staff members, as well as organizations that included thirteen Muslim-majority ethnolinguistic islands populations in Mindanao's Bangsamoro region, also known as Moro or Bangsamoro people. Snowball sampling involves an initial group of participants completing a survey and then passing the survey on to acquaintances, friends, or family members. Subsequently, these new participants refer the survey to others, creating a cascading effect, and the cycle continues (Voicu & Babonea, 2007). Primary data was used to acquire data for the study, which was collected using a survey questionnaire with closed-ended questions. The Bangsamoro people of Mindanao, Philippines, were the survey's target demographic. The survey's primary objective is to evaluate the Bangsamoro community's situation, understanding of *waqf* (an Islamic endowment of property), and Islamic microfinance for poverty alleviation in Mindanao, Philippines. The survey was given to the target population, and the positive response with a total of 204 persons from various groups within the Bangsamoro community in Mindanao, Philippines. These groups provided great insight into the subject of *waqf* and Islamic microfinance in their community, thus assisting the researcher in meeting the thesis objectives.

1.10 Data Collection

In this thesis, the researchers aimed to analyze the knowledge and awareness of *waqf* and Islamic microfinance in Mindanao, Philippines, for poverty alleviation purposes. This study involved the collection of primary data.

Primary data, as explained by Kothari (2004), refers to information gathered personally or from sources. This data is gathered particularly for the goal of a study or research attempt and is specific to the needs of the researcher. Data collection involved gathering primary data through standardized survey questionnaires that were completed via an online survey. The research employed convenience sampling and the snowball sampling technique, in which the first respondents shared the survey with friends and family members, resulting in a chain referral system. To verify, a researcher made sure that the survey responses to those questions were made very clear for them and understood correctly, and all the questionnaire was made to them translated into Filipino, which is the national language of the Philippines where the second language is English.

That is the aim of including a demographic component of this questionnaire designed to collect respondents' information, such as gender, age, marital status, family size, and level of education. It highlights that there was a major portion of the questionnaire particularly asked the respondents about *waqf* and Islamic microfinance awareness in the context of poverty alleviation in Mindanao Philippines. In this instance, specifically for the survey, the respondents may obtain the responses provided by the questionnaire based on a prepared 5-point Likert scale, which will precisely show their responses for the degree to which they concur with each argument. This scale was used separately and shows that it can be extended starting from 1 to 5. The respondents will record their level of awareness. At this point, it is stated that 1 “represents strongly disagree”, 2 is “disagree”, 3 is “neutral”, 4 is “agree”, and 5 is “strongly agree”. Finally, a total of 204 respondents to the survey and their responses of awareness produced this study's main data.

Nevertheless, this thesis used primary data obtained through an online survey to examine participants' knowledge of *waqf* and Islamic microfinance for poverty alleviation in Mindanao, Philippines. The information acquired through the questionnaire allowed the researchers to analyze the survey respondents' general grasp and attitude toward this *waqf* and Islamic microfinance for poverty alleviation in Mindanao, Philippines.

1.11 Data Analysis

The collected data was examined using statistical tools, such as (SPSS and Excel). All responses were transformed into a qualitative format to aid this research.

To facilitate comparison, each response was assigned a numerical number. This procedure supported effective evaluation by streamlining data interpretation.

Excel is used to evaluate the data. This research, surveyed Bangsamoro people in Mindanao, Philippines, to assess their knowledge of two topics: *waqf* and Islamic microfinance. Prepared a Likert scale-based questionnaire to collect responses from 204 individuals.

Here's a breakdown of the survey structure: - The four questions assess responders' comprehension of *waqf*. -The three questions are used to assess respondents' knowledge about Islamic microfinance.

By examining the responses to these questions, the thesis aims to enhance our comprehension of the Bangsamoro population's knowledge and awareness of these two Islamic financial instruments in the Mindanao region. This will shed light on the potential use of *waqf* and Islamic microfinance as poverty tools in that region. In survey design, the Likert scale is a notable example of an often-used answer scale. Hence, In the 1930s, psychologist Rensis Likert created the scale. This American social psychologist first proposed it as a 5-point scale to assess people's attitudes and opinions on numerous topics Likert (1932), presented a psychological evaluation instrument that consists of a group of statements relevant to a certain subject or issue. In a five-point scale psychometric response scale, respondents indicate how much they concur with each point. These are the proposed Likert the 5-point scale.

Table 1. 2: The Standard Used To Assess The Degree of Awareness

Rating scale	Length of Categories	The Percentage	Level
1	Starting from 1.00 - 1.79	Below 36%	Extremely low
2	Starting from 1.80-2.59	Exceeding 36% to reach 52%	Low
3	Starting from 2.60- 3.39	Exceeding 52% to reach 68%	Moderate
4	Starting from 3.40-4.19	Exceeding 68% to reach 84%	High
5	Starting from 4.20-5	Exceeding 84%	Extremely high

Source: Author's own

According to the above Table 1.2, shows how to assess the responses based on the study's target population, to get their total awareness of understanding of *waqf* and Islamic microfinance in poverty alleviation in Mindanao, the Philippines.

Based on that the awareness was assessed using a Likert scale point, in the case of the respondent which has each of them ranked their level of knowledge on a range from 1 to 5.

Each number on the scale represents Category Length, Awareness Percentage, and Grade. Here's a summary of the table: The Likert scale was used to evaluate the respondents' knowledge and comprehension of *waqf* and Islamic microfinance. The variation for every Likert scale score is referred to as the category length.

The estimated level of awareness that each Likert scale score corresponds to is expressed as a percentage. Level or Grade: The qualitative grading of the awareness level—ranging from Extremely Low to Extremely High—is based on the respondent's rating and corresponding percentage.

We would require the exact survey questions and their perspective scores to provide an overview of the results. It can provide a broad overview of how to interpret the overall results based on the data that was provided.

- Determine the typical awareness score for each query: Divide the total of all respondents' scores from the overall sample size for each question.
- To calculate the total awareness score, add the averages of all the questions: Find the average of the average scores that got in step one.
- Assess the range of the scale (1 to 5) to evaluate the total awareness score to determine the level of awareness.

As an illustration, if the overall awareness rating is Low awareness is indicated by a score that is close to 1. 2.5: This suggests an average degree of awareness. A score of nearly five indicates a high level of awareness. We outline a technique for figuring out the overall awareness rate in this section using the average answer to seven survey questions. Doing that allows it the provide a step-by-step explanation of that can understand it how to calculate the outcome:

- The average results of the three survey questions about Islamic microfinance and the four survey questions about *waqf*.

- Total the overall question average scores.
- The sum of the average scores by the total number of considered questions (which is seven in this case) to get the overall rate of awareness.

These stages can be simplified using the formula below:

From the total survey questions on *Waqf*. Starts on the Average Score Question 1 + Average Score Question 2 + Average Score Question 3 + Average Score Question 4 = Sum of All Scores and / 4 Total Number of Questions = Overall Awareness Rate of Waqf Survey.

From the total survey questions on Islamic microfinance. Starts on the Average Score Question 1 + Average Score Question 2 + Average Score Question 3 = Sum of All Scores and / 3 Total Number of Questions = Overall Awareness Rate of Islamic Microfinance Survey.

1.12 Literature Review

One of the existing studies will be examined in this thesis since it is pertinent to the subject. Because of this, discovering gaps in expertise in the studies field, further research is required. An examination of some relevant studies on *waqf* and Islamic microfinance.

There are two complementary descriptions of awareness mentioned. Merikle (1984), description is subject to interpretation, comparing knowledge to individuality because of an observer "consciously seeing" a positive reinforcement. According to the findings, a metric of outcome awareness is necessary to distinguish between open-interpretation affirmations of consciousness "seeing" a provocation and "not seeing". Similarly, according to Kotler (2003), awareness analyses intend to determine how clients demonstrate their understanding of goods or services, as well as the amount of relevant data individuals' inability to regarding them. Shimp (1997) stated that increasing awareness involves familiarizing clients with publicity, marketing, and phrases. Communication techniques are implemented to encourage an employer's products, goods, and facilities.

Further to that, Shimp (1997) describes how everything contrasts with rival services in a supportive or intellectual sense, which is a step in the process of understanding

(Attiq et al., 2022), consumers must have gone through learning experience, discourse, choice, and clarification until they can adapt to an asset or supplier. Customers will be reassured, and any uncertainty will be avoided. Understanding the value of customer awareness has an impact on the use of product offerings.

A properly functioning organization or banking system will always require the exploration and comprehension of awareness. This single industry could stay competitive and productive (Alfin & Saad, 2018).

Since business organizations often lack awareness of different viewpoints on the most effective approach to achieving their objectives, they must first establish this stage. Its intelligence led to the development of the company and its organic client awareness of said Islamic banking analysis theories has emerged but reveals that public awareness of these offerings is limited. Gerrard and Cunningham (1997), reviewed the cultural awareness of the Islamic financial approach. Customer awareness of Islamic banking seemed to be low prior to the establishment of Islamic banking in Singapore. Taking the literature review into account, the country's bank reports the existence of an overall lack of understanding among many customers regarding Islamic banking. Lateh et al. (2009) did extensive research in Thailand to attempt to identify the perceptions of customers regarding the goals, features, and aspects of selecting an Islamic bank. Based on the findings of this research, Thai clients are uninformed about the goods and services offered by the Islamic system. Despite this, those who are cognizant of the distinctive features of the Islamic banking system understand how it deviates from traditional ones. According to Masood and Rehaman (2014), customer perception of Islamic banking products in Pakistan seems to be strong about certain commodities such as financial assets, and the majority of clients were unsure that *Murabaha* Islamic financial services are indeed usable. Okumu (2015), raised funds for this study in Turkey, and they conducted a comparative study. Shahid & Abbas (2012), carried out a study to study the awareness of conventional and Islamic microfinance in Pakistan using bandwidth testing procedures. The results reveal that 71.6 percent of participants have a basic familiarity with traditional microfinance. In comparison, well almost 9.4% claim to have a weak grasp, while the leftover 12.8% remained undecided.

The results suggest that 57.7% of participants have a basic knowledge of financing. In comparison, 18.8% will not recognize it, and 23.5% are undecided participants who understand the basic concepts of finance.

Islamic microfinance is a relatively new development in the field of lending, yet most participants are familiar with its fundamental principles. The researcher concludes that respondents to the survey's first question generally indicated that they were familiar with both Western and Islamic terms. However, the findings of the investigation of Shahid & Abbas (2012). According to Sabi (2016), the rise of Islamic microfinance demand, as well as its sources, is becoming more evident.

Based on the findings regarding the institutions that exist in that country, However, Sabi (2016), indicates that based on these findings it is different from the countries of Tajikistan and Kyrgyzstan. These countries, on the other hand, have institutions within and between their institutions. The reason for this is the correlation to Pakistan, the beginning of processes which is Pakistan. Governmental Kyrgyzstan and Tajikistan have comparatively fresh frameworks.

A series of inquiries could be constituted to the customers to assess their understanding of Islamic microfinance. According to the study's findings, a huge percentage of those who chose to respond seem to be unaware of Islamic microfinance goods. Although only 28% of Tajikistan survey participants and 39% of Kyrgyzstan survey participants were aware of Islamic microfinance, a large percentage advised caution when using Islamic microfinance products. Tajikistan participants answered that strong religious responsibilities energized their mindsets, even though Kyrgyz respondents stated that religious observance was only a secondary concern. Tajiks overall were overjoyed at the possibility of Islamic microfinance loans and required clear descriptions. However, Islamic microfinance was chosen above conventional goods by 57% of respondents from Kyrgyzstan and 44% of respondents from Tajikistan. In both Kyrgyzstan and Tajikistan, too many respondents, according to Sabi (2016), were ignorant that Islam forbids them from pursuing their interests. This is because a response to more complex products, such as *Musharakah* and *Mudaraba*, was much less favorable to Islamic microfinance. To educate more local talent on Islamic principles, particularly about Islamic financial systems and management (Rosli et al., 2020). A certain industry must help and continue to work hard to increase both private and public awareness regarding educating individuals to make progress and positive responses that promote Islamic financing to the community itself.

To advance this Islamic finance application, it involves also the sector must also continue to seek to raise both private and public awareness and educate individuals in

certain communities. Thus, the potential of *waqf* and Islamic microfinance that can promote economic growth and reduce poverty has been the subject of numerous studies accordingly. *Waqf's* historical significance in the Islamic world, the legal and regulatory frameworks that control it, and the integration of *waqf* endowments into the larger Islamic financial system have all been the subject of research (Cizakça, 2004; Kahf, 2002). In certain research (Sadeq, 2002; Ahmed, 2007; Rahmalan & Hussin 2007), the possibility of *waqf* to support Islamic microfinance institutions (MFIs) that could offer low-income people interest-free loans and other financial services has been investigated. Those MFIs could lessen their dependency on donors and other outside funding sources by using the income from *waqf* assets to fund their day-to-day activities (Ahmed, 2017).

This thesis explicitly aims to show that Islamic microfinance and *waqf* are viable alternatives for tackling poverty in Muslim-majority nations. The information presented above suggests that additional research in this area is necessary. This is done to both fill in the gaps in the current studies and to generate fresh ideas that could help improve strategic initiatives.

1.13 Thesis Outline

This thesis is divided into five chapters that thoroughly examine and discuss the subject of concern.

Chapter One of the thesis Introduction introduces the research questions, outlines the subject, highlights gaps in existing literature, and explains the methods, data gathering procedures, analysis methodology, and research design used.

Chapter Two of the thesis addresses the results regarding *waqf* and Islamic microfinance, including theoretical frameworks and modern financial instruments. Chapter Three of the thesis discusses the organization of *waqf* and Islamic microfinance institutions in the Philippines, including the current banking system and lack of professionals in Islamic finance.

Chapter Four of the thesis presents the results of data analysis, analyzing them concerning the study questions and examining their theoretical and practical implications.

Finally, Chapter Five concludes the thesis by summarizing key findings, discussing their wider implications, and recommending directions for future research. It also acknowledges limitations and provides recommendations for further research.

1.14 Chapter Summary

The thesis subject and goals are presented in this chapter. The thesis's importance was explored, showing a void in the body of knowledge. An outline of the research topics and methodology served as a guide for the remaining chapters. Overall, chapter one established the thesis's framework.



CHAPTER II

THE WAQF AND ISLAMIC MICROFINANCING: THEORETICAL FRAMEWORK

2.1 Introduction

This chapter investigates the existing literature on *waqf* and Islamic microfinance on the existence of the model's system and poverty alleviation. The chapter presents an overview of this reference to the *waqf* system and Islamic microfinance and describes its significance in poverty alleviation in the Muslim community- Keyword concepts, a conceptual framework, and related literature on *waqf* and Islamic microfinancing model institutions. This chapter contains them.

2.2 Waqfi: its Definition and Legality

2.2.1 The Definition of Waqf

According to Kahf M. (2003), some characteristics of a *waqf* are highlighted in the definition: It must do that about an asset or pertains to a usufruct: These are the or usufruct assets that could be immovable property (like real estate or a building) or that can be movable property (like money, shares, or books). The usufruct can refer to the right to benefit from the profits or can be the use of the asset.

To provide pertinent goods or services for public or private righteousness. These *waqf* assets must serve a purpose that is acknowledged as advantageous in Islam. Especially, financing mosques, schools, hospitals, or other philanthropic causes falls under this category. With regards to the owner permanently or temporarily. These are from the classic form of *waqf* is one in which the asset is permanently preserved. Furthermore, the alternative ways of the *waqf*, on the other hand, can be temporary, with the given item or its advantages only being available for a short while. For instance, the masjid endowment could be used to run and maintain the masjids, host visitors, provide education, or make sure the masjid is still in good working order.

2.3 An Overview of Waqf in Shari'ah

An overview of the “*Awqaf*” (plural) or “*waqf*” (singular) in shari'ah, it is well known as an Islamic philanthropic practice that also involves and dedicates a property or asset for charitable purposes in a way of teaching of Islam. It was classified that even though the term “*waqf*” was not explicitly mentioned in the Holy Quran, in this case, the concepts of “*sadaqah*” (voluntary charity) and “*infāq*” (contributing in the ways of Allah) that can emphasize that these are closely related to the idea of *awqaf* (Kahf, M. 2003).

2.4 The Legality of the Waqf

This legality of *waqf* and presentation is based on the key *Shari'ah* rulings regarding the development of *waqf* (Islamic endowments). The legality of the *waqf* must be based on this foundation from these rulings derived from the Qur'an and the practices of the Prophet Muhammad (Peace be upon him), has showed and as they provide very good essential guidance on the authentic principles and methods related to the legality of *waqf*. Additionally, in the context of Islamic economics, the *awqaf* serves as well as an important means of providing support to many social and charitable causes.

2.5 Qur'anic Principles on Awqaf

The principles of *awqaf* are referenced in this discussion by Kahf (2013). They are based on the Qur'an.

- a) Based on this, the concept of the *awqaf*: these are referring to donating a permanent asset, such as property, for religious, educational, or that can be charitable purposes. That can be seen in this concept is endorsed clearly in the Qur'an with verses, “*which encourage men and women believers or Muslims as a particular to spend or to donate and spend in the way of Allah*” (Qur'an 2:267, 58:13).
- b) Based on the ownership Transfer: “*Upon donating an endowment, ownership is transferred from the individual to the endowment itself, ensuring it's protected and used for intended purposes*” (Qur'an 58:13).

- c) Based on the Perpetuity: *“An essential aspect of awqaf is its continuity. Once an endowment is established, it is to be preserved and exist in perpetuity”* (Qur'an 2:273).
- d) Based on the Inalienability: *“Awqaf are nontransferable and cannot be sold, gifted, or inherited. This restriction ensures the integrity of the endowment for its purpose and beneficiaries”* (Qur'an 2:267).

2.6 Sunnah Practices on Awqaf

According to Kahf (2003), in the Sunnah, which refers to the good deeds, the sayings, and also his approvals of the Prophet Muhammad (Peace be upon him), *waqf* is matters connected to "*Sadaqah Jariyah*," which is a way of an ongoing charity that continues to benefit others even though after the donor's death. Additionally, this makes sense for every Muslim that the *waqf* is a means to achieve continuously and gain rewards and blessings from Allah for the donor and their relatives or loved ones. Furthermore, in the case of the Prophet's endowment was in the city of Madina: Also, mentioned that the first Islamic endowment was established or created by the Prophet Muhammad (Peace be upon him) in the sense or form of a piece of land in the city of Madina. The main income that was generated from this land was used only to support the needy people and maintain the *masjid*.

- a) As for this charity and social welfare: *“The practices of the Prophet Muhammad (Peace be upon him) emphasized the importance of awqaf as a means to provide for the welfare of the community”*. His guidance was focused on ensuring the proper management and protection of endowments (Hadith: Sahih al-Bukhari No. 2567, 5450).
- b) As for this accountability: *The Prophet Muhammad (Peace be upon him) has also highlighted the importance of accountability, transparency, and trust in the administration and management of awqaf. this includes the appointment of a trusted individual or group to oversee the endowment's affairs* (Hadith: Sahih al-Bukhari Non. 2567, 5450).

In summary, *awqaf* creation is governed by *Shari'ah*, which is based on the rulings of the *Qur'an* and the practice of the Prophet Muhammad (Peace be upon him). The *awqaf* are fundamental Islamic endowments that are expressly meant for philanthropic, educational, and religious goals that promote community welfare.

Perpetuity, inalienability, and accountability are the guiding principles for the creation and administration of *awqaf*, assuring the appropriate handling and safeguarding of these endowments.

2.7 The Ijma'a

Ijma'a is an Arabic term that refers to the Islamic community's consensus or agreement on a point of Islamic law. The *waqf* was well-known among the companions; Jabir Bin Abdullah (May Allah be pleased with him) says, " I am not aware of any Muhajir or Ansar who are sufficiently wealthy and do not have an endowment. " (Al-Mughni, vol. v:598, Ibn Qudamah). The Scholars concluded that the companions reached an agreement (*ijma'a*) on the legitimacy of *waqf* based on this statement by fellow companion Jabir (May Allah be pleased with him). The *waqf* institution has gained widespread public recognition to people since the time of the companions, and no one has rejected it, making it an *ijma'a* among Muslim scholars.

2.8 Four Schools of Islamic Law

There are famous schools of thought mentioned, including these four major schools of Islamic law according to them when it comes to the interpretation and understanding of *waqf*. These four schools of thought have different interpretations or means of perspectives on the ideas or the concept of *waqf*, including its validity, and its various essentials.

- a) Imam Abu Hanifa (Hanafi School): The Hanafi school perspective emphasized that the holding of *waqf* that belongs to "Allah and the existing ownership must be managed to keep or to secure the property", while only its income should be spent for the objective of which the *waqf* was created (Gaudiosi, 1988,1231-1261).
- b) Imam Malik (Maliki School): The Maliki school perspective asserts that the ownership of *waqf* is continuous or remains with the founder while the right to use or enjoy the asset is transferred legally. Additionally, this school includes both perpetual and temporary *waqf*, as well as usufruct, revenues, or output (Kahf, M. 199. Vol. 1, pp. 1-16).

- c) Imam Shafi'i (Shafi'i School): The Shafi'i school perspective, emphasizes that the *waqf* entails or requires maintaining or preserving for example assets that can benefit others or everyone, preserving or maintaining the property in their current state, and ensuring financial viability. Accordingly, the owner is not granted or permitted to use the property for personal benefits (Suleiman, 2016).
- d) Imam Ibn Hanbal (Hanbali School): The Hanbali school defines or its perspective, *waqf* as the preservation of capital along with the dedication or commitment of its returns. This perspective aligns closely with the Shafi'i school's view, as they both emphasize preserving the original property and generating returns for the *waqf's* intended purpose (Kahf, M. 2003).

2.9 Waqf Shari'ah Standards

The *waqf* comprehensive Project was launched (AAOIFI, 2010), to revise and develop *waqf Shari'ah*, governance, and financial accounting standards. The purpose of the whole standard is to establish financial reporting principles for *waqf* institutions that are established and operated according to *Shari'ah*.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2010), also, manages and sets these various *Shari'ah* standards for Islamic finance industry purposes, based on which include the guidelines for the *waqf*, an Islamic endowment. Based on this *Shari'ah* Standard No. 33 (AAOIFI, 2010), specifically addresses *waqf*, with its creation, its conditions, and its management. Based on this standard, once a *waqf* is created on a specific asset or usufruct, the *waqif* (the person who creates the *waqf*) loses control and authority over the endowed asset, as per the conditions outlined in the *waqf* deed. That is because the endowed asset or usufruct is managed or controlled and held in order to benefit the recipients or by the *waqf* objectives. Additionally, when a *waqf* endowment is created or established, based on these, the representation of the *waqif* (individual or institution) over these assets is revoked in line with the objectives and one of the conditions of the *waqf*.

Moreover, with these limits the *waqif's* rights about the decision-making and management of the endowed assets. Instead, must the authority and management be transferred to the trustee, or the institution will be responsible for overseeing the *waqf* and ensuring that its provisions are fulfilled correctly?

We said that, accordingly it is important to note that this revocation of representation is an essential characteristic of the *waqf*, ensuring that these assets or usufruct are only meant used for the intended purpose and are protected from being misappropriated or misused.

2.10 Waqfs that are Permissible

There are various kinds of *waqf*:

- a) The charitable *waqf*
- b) The family *waqf*
- c) as well as the self-declared *waqf*

2.11 The Property of Waqf

(AAOIFI 2010). *Shari'ah* Standard No. 33. It is a *waqf* primary residence that must meet the following requirements:

- a) It must be well known.
- b) It must be a *Shari'ah*-compliant property.
- c) The *waqif* must be the exclusive property holder, and no one else should have a right or placement in it at the time the *waqf* is established.

2.12 The Trustee (*Al-Mutawalli*)

These can be seen according to the sources of *Shari'ah*. The trustee, also well-known can *mutawalli* or *mutawalli*, corresponds to an individual or a person appointed to manage, also to supervise an Islamic endowment, known as *waqf* (*awqaf* in plural) in Arabic terminology. These characteristics of charitable purposes are the person who will be accountable for these or the person who will manage the *waqf* endowed of the individual. Additionally, these other assets are bought by an individual for the benefit of the community or specific individuals, such as those belonging to the poor, orphans, and the needy (Vogel, & Hayes, 1998, vol.16; Çizakça, M. 2000).

2.13 The Waqif (Donor)

The *waqif* or well-known is a donor. It refers to a legal person who wishes to transfer property and must be able to dispose of their property.

A legal entity seeking to transfer property. Additionally, these *waqf* could be typically irrevocable, while a *waqif* can be an individual or legally recognized entity (AAOIFI, 2010).

2.14 The Recipient or the Beneficiary

The recipient of these beneficiaries according to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2010).

The *Shari'ah* Standard No. 33 refers to address guidelines for *waqf*, which is an Islamic endowment system that works for the benefit of a continuous charitable purpose.

- a) This same *waqf* must not be formed for the unlawful.
- b) Making *waqf* such beneficial to non-Muslims is lawful. Given that such a cause to be provided does seem to be sinful.
- c) If the *waqf's* beneficiaries are no longer in existence, the *waqf's* benefits should be distributed to charitable organizations.

2.15 Islamic Microfinancing: its Definition and Legality

2.15.1 The Definition of Islamic Microfinancing

Based on the definition given by Islamic views, it refers to; Islamic microfinance which implies the supply to such as of small-scale financial assistance or services in compliance with Islamic principles concerning finance. That can bring good justice and these services are provided to everyone such as low-income individuals and micro-entrepreneurs, those who typically lack or have no access to conventional banking or have limited financial resources. Additionally, Islamic microfinance operates better than conventional banks because this operates particularly with the practices by the *shari'ah* under the Islamic banking framework, which prohibits charging interest (*riba*), and ensures that all financial transactions are consistent with the principles of risk-sharing, social welfare, and ethical investment (Obaidullah, & Khan, 2008).

Islamic microfinance institutions (IMFIs) address the needs of the poor and needy while adhering to Islamic values and beliefs.

The different structures of Islamic microfinance, which include profit-sharing investments, asset-backed financing, and trade-based mechanisms, serve to promote ethical finance and responsible lending practices (Obaidullah, 2008b, p. 20-21).

This approach aligns with the emphasis on morality and social responsibility inherent in Islamic teachings. Investments in businesses involved in socially harmful activities, such as gambling, alcohol, and weapons production are forbidden (Karim, Tarazi, & Reille, 2008, p. 2). By operating within the boundaries of *Shari'ah* principles, Islamic microfinance institutions provide an alternative that may be more appealing to Muslims as they integrate financial services with their religious values (Mahmood & Fatima, 2015). This alignment of finance with moral standards is an important aspect of the Islamic approach to poverty alleviation, reflecting an understanding that ethical considerations cannot be ignored in the pursuit of financial equality and social well-being (Obaidullah, 2008b, p. 23). Their shared goals include enhancing the quality of life for individuals, supporting supplementary income generation, fostering entrepreneurial spirit, advocating risk-sharing mechanisms, and ensuring the active participation of underprivileged members of society in the establishment and expansion of businesses (Obaidullah, 2008b, p.10). Nevertheless, the Islamic perspective diverges in emphasizing several other crucial aspects.

Furthermore, when it comes to application these approaches underline the importance of offering these could be both financial and non-financial services to enhance or augment the growth of micro-enterprises. In terms of similarities, both Islamic microfinance and conventional microfinance are mainly concentrated relating to social and economic objectives, attempting to obtain a greater life for all people, help with extra income, encourage entrepreneurship, promote risk-sharing, and consider that the underprivileged must participate and in the creation of businesses. In this same major the Islamic strategy is different. emphasizes key points such as providing funding and non-financing activities that will enhance micro-enterprises, accountability, comprehension, and cooperation. There are a few notable distinctions, which are described in the following: (Obaidullah, 2008b, p.11).

Table 2. 1: Differences Between Conventional And Islamic Microfinance

Category	Conventional Microfinance	Islamic Microfinance
In the Category of poor	In One category	There are two levels: 1. deeply poor, who do not require a loan but rather a social safety net and charitable fund (<i>zakah</i>), 2. moderately poor, who will benefit more if they obtain credit to run microenterprises.
Based on financing	An approach based on debt, and one based on interest	Profit and loss sharing (PLS) strategy, interest-free (<i>riba</i>), and risk-free (<i>gharar</i>)
Approach/target of empowerment	The poor woman	The poorest families
Sources of fund	External funds, client savings	External funds, client savings, and an Islamic charity fund
Managing Defaults	Threats and group /center pressure	Islamic ethics and group/center/spouse guarantee
Program for Social Development	Secular	Religious (behaviors, ethics, and social interactions)

Source: Adapted from Obaidullah, 2008b, pp. 11-12 and Ahmed, 2002, p. 22

Table 2.1 shows the explanation of the differences between conventional and Islamic microfinance as provided in the table: In the Category of poor conventional microfinance, we can see that this approach normally sees the poor in one category, while Islamic microfinance can provide microloans or other financial services. This approach divides the poor into two categories; the deeply poor stated that the ones who need social safety nets (*zakah*) and the moderately poor who will benefit from the credit for microenterprises. In this case, based on financing: Conventional microfinance: This system is typically based on debt clearly, also with interest charged on the loans provided. When it comes to this, Islamic microfinance: In this case, the System is based on a profit and loss sharing (PLS) strategy, that avoids interest (*riba*) and uncertainty or excessive risk (*gharar*). Usually, in the approach/target of empowerment: Conventional microfinance: Based on this, the focus is usually on empowering poor women, who are often more marginalized and vulnerable to poverty. In the field of Islamic microfinance: One of the main goals is to empower the entire poorest families, not just women. Sources of funds: In the practices of Conventional microfinance: we can see that usually in these institutions usually primarily or mainly rely on external funds and their client savings. In the case of Islamic microfinance: Apart from external funds and client savings, Islamic microfinance institutions can also incorporate an Islamic charity fund, which can be used to support or finance the deeply poor.

In this case, the managing defaults: The practices in Conventional microfinance: Default management often involves threats that can be seen, group pressure, or center pressure to ensure loan repayment. In the practices of Islamic microfinance: Default management can be applied and handled through Islamic ethics, group or center guarantees, and possibly involving spouses of the borrowers to encourage repayment. Program for Social Development: Conventional microfinance: Thus, these programs are usually secular, mainly concerning and focusing on financial services and economic stability. In the case of Islamic microfinance: These programs and operations incorporate religious principles as well as aspects such as good behavior, the matter of ethics, and social interactions, and the main aim is for a more holistic approach to good development (Obaidullah, 2008b; Ahmed, 2002).

Table 2. 2: Shari’ah-Compliant Financial Instruments

Shariah Instrument	Forms
Fund accumulation	<ul style="list-style-type: none"> a. charity (<i>zakah, sadaqah, awkaf</i>, gift that include <i>hiba</i> and <i>tabarru</i>) b. deposits (<i>wadiah, qard hasan</i> and <i>mudarabah</i>), c. equity (<i>musharakah</i>).
Financing	<ul style="list-style-type: none"> a. profit and loss sharing (PLS) (e.g., <i>mudarabah, musyarakah</i>), b. sale-based mode (<i>murabahah</i>), c. lease-based modes (<i>ijarah</i>), d. caring loans (<i>qarn hasan</i>).
Risk	<ul style="list-style-type: none"> a. a guarantee (<i>kafalah</i>), which is used in group financing b. collateral (<i>daman</i>) for personal loans and micro-takaful.

Source: Adapted from Obaidullah and Khan, 2008, pp. 12-18

Table 2.2 shows the explanation of the *Shari'ah*-compliant financial instruments provided in the table: These are financial products and services designed to adhere to the principles of Islamic finance. Islamic finance operates under the guidelines of *Shari'ah* (Islamic law) and forbids practices such as interest (*riba*), excessive uncertainty (*gharar*), and harmful speculation. Additionally, these Shariah-compliant financial instrument forms provided: In this case, the fund accumulation: a. Charity - *zakah, sadaqah, awqaf*, and gifts (*Hiba and Tabarru*) these are ways of accumulating funds through giving and sharing. In Islam *zakah* is an obligatory wealth tax if they meet the conditions, also, *sadaqah* refers to optional or utilizing voluntary charitable donations. b. The deposits – It is *wadiah, qard hasan*, and *mudarabah* are considered Islamic deposit contributions or accounts. This implies that *wadiah* is a safekeeping agreement, while the *qard hasan* itself implies an interest-free loan, and *mudarabah* implies a profit-sharing partnership between the banks and the depositors. c. Another Equity – *Musharakah* implies a partnership in which all the parties contribute the capital, also, share profits and losses, and have joint control over the business transactions. The Financing: a. In Profit and Loss Sharing (PLS) – *Mudarabah* and *Musharakah* both require or involve sharing the profits and the losses. Additionally, the *Mudarabah* here is a capital-provider and entrepreneur partnership, while *Musharakah* is a partnership between multiple parties. b. Sale-Based Mode – Also, *Murabahah* is a markup-based financing mode. For example, an item is bought by the bank on behalf of the client, and the client buys it back with a markup in price, with that, paid over an agreed-upon period c. The Lease-Based Modes – This *Ijarah* is a leasing contract in which the bank buys the asset and leases it to the client for a fixed term. The ownership may be transferred to the client at the end of the lease period. d. Caring loans - *Qard Hasan* implies that these are interest-free loans provided based on goodwill, and the borrowers are required only to repay the principal amount. The risk: a. A guarantee - *Kafalah* refers to the guarantee that, for example, the debtor will then fulfill their obligations.

That is because it is most widely or commonly used in group financing and serves as a backup in situations or the case of the debtors failing to pay. b. This collateral - *daman* refers to collateral or security that can cover personal loans and micro-takaful (refers to the Islamic form of insurance).

consequently, this collateral guarantees that the loan itself will be repaid or that the policyholder will be then compensated in case of a covered event provided. When it comes to investment funds strictly follow *Shari'ah* guidelines and invest in a portfolio of *Shari'ah*-compliant assets, which will ensure that investors' returns are in line with these Islamic principles (Obaidullah and Khan, 2008).

In conclusion, *Shari'ah*-compliant instruments are financial tools designed to adhere to Islamic principles. It is clearly stated that these methods avoid interest which is not allowed in Islamic teaching including this uncertainty, and the investment in activities or products that are strictly prohibited. We mentioned that most of the common forms of *Shari'ah* financial tools or instruments include *Murabaha* (cost-plus financing), *Musharakah* (partnership-based financing), and more. As a result, *Shari'ah*-compliant finance could promote more ethical, transparent, and sustainable investments concerning Islamic teachings and practices.

2.16 Models of Islamic Microfinance

This section is illustrated Models of Islamic microfinancing:

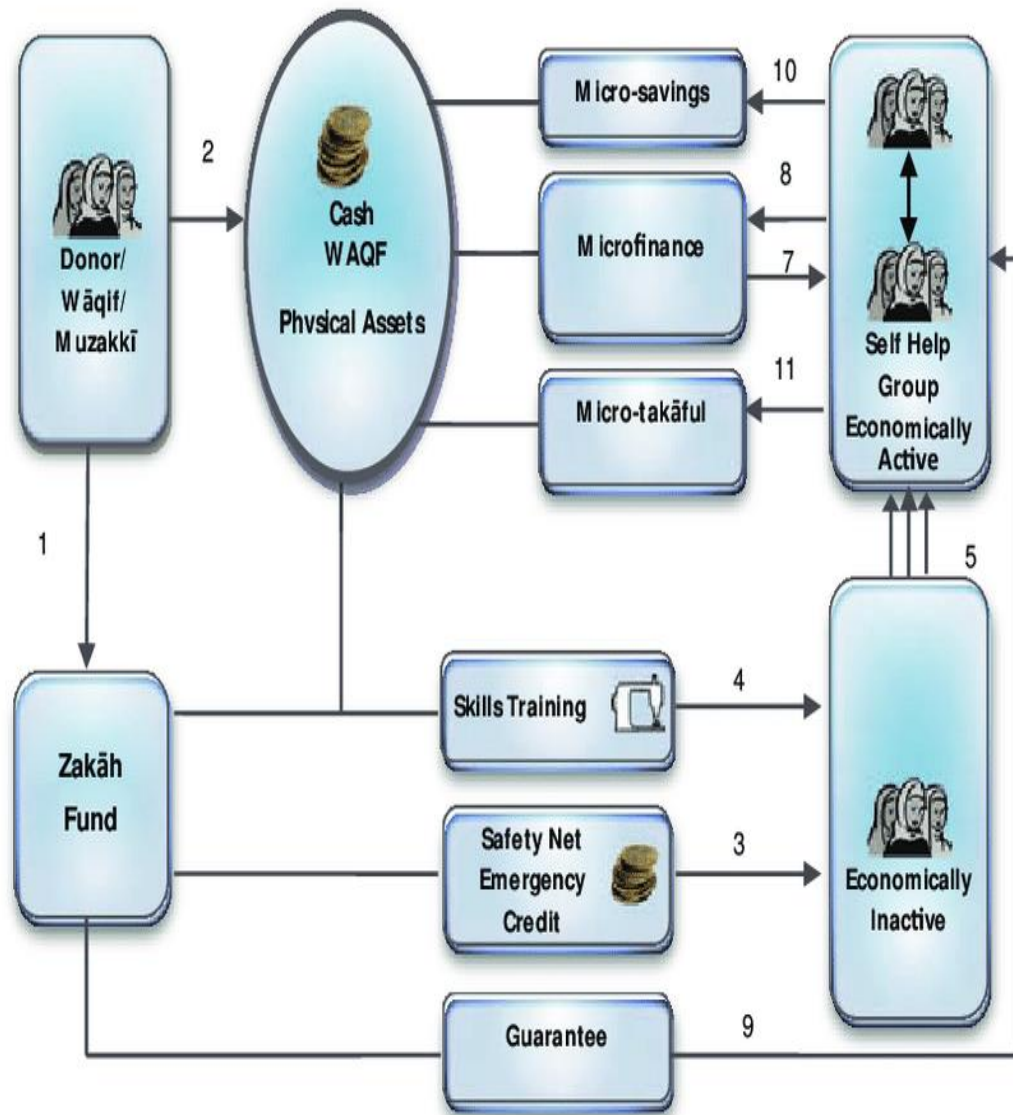


Figure 2. 1: Islamic Microfinance Composite Model

Source: Obaidullah, 2008b, p. 54

Figure 2.1 shows the representation and exploration of a composite model for enhancing Islamic economic activities and social welfare that can be used through a multi-pronged approach involving the *zakah*, *waqf*, and *takaful* funds. It is adopted from (Obaidullah, 2008b, pp. 53-55), and it is summarized as follows:

The person who is a donor establishes a *zakah* fund: This is because the *zakah* is a form of obligatory almsgiving in Islam, it shows and contributes to social welfare utilizing providing and supporting the economically needy. A physical *waqf* fund is established or created, and the cash is established or created: Utilizing *waqf* is an Islamic endowment in which donors permanently will dedicate their assets by way of forming to charitable or religious purposes. In this way, both the physical assets and cash are endowed as *waqf*. By utilizing this assistance will be provided to the most economically inactive poor people: Also, this *zakah* fund is used as a source of assistance or support for poor individuals who require urgent or immediate assistance and help. The skills training will be provided to the poorest, utilizing the *waqf's* physical assets: Additionally, physical goods donated to the *waqf* fund are used to provide skill development programs to the most vulnerable recipients. Skill development will motivate the most vulnerable people to rise beyond poverty and participate in the economy: Acquiring new skills will then empower recipients to seize economic opportunities, also everyone will become self-reliant, and escape the poverty trap as well.

In this case, those who form self-help organizations with mutual guarantees: Will Empower individuals who participate will get into to form cooperative societies or self-help groups to provide mutual support for further economic growth. In this case, affirmed a fund comprised of for-profit debt and equity modes: By mobilizing for-profit debt and equity instruments (such as *murabaha*, *ijara*, or *musharaka*), those participants can secure funding to expand their businesses and most importantly they can support others as well in their communities. In this case, the loan repayment, with the possibility of further loan increases in the future: Beneficiaries repay their loans progressively, leading to a sustainable fund that can provide future financing with increasing capacity. A *zakah* fund is used to guarantee against default: To mitigate risk, these *zakah* funds are employed to protect against potential loan defaults. In this case, Saving is encouraged: Those participants are encouraged to practice responsible

finances and their habits by saving, thus improving their liquidity which will promote sustained economic growth within their community.

In this case, the *takaful* funds are well promoted as a risk-management strategy: Those Participants are also encouraged to join *takaful* (Islamic insurance) programs or schemes for financial protection and risk-sharing among the community. Lastly, it must be noted that these models serve to or present several interconnected elements that synergistically operate or can work towards poverty alleviation and financial inclusion while remaining compliant with Islamic principles are significant. (Obaidullah, 2008).

2.17 Poverty Alleviation: its Definition

Providing an argument, Poverty is a broad or multifaceted idea and concept that generally refers to a lack of adequate income, as well as the means and prospects to fulfill fundamental requirements and uphold a satisfactory quality of life. (Sen, 1987). Additionally, according to the World Bank (2021), it can be often described in terms of absolute poverty and relative poverty: To describe them, one of these is called absolute poverty: Refers to a condition or situation where individuals or households are unable to meet the necessities of daily life, such as their daily food, clothing, shelter, education, and healthcare. Also describes that the other type of poverty is called relative poverty: The World Bank has set an international poverty line, which has been updated over time – as of 2021, because of it, this line was defined as living on less than \$1.90 per day. Moreover, the relative poverty in this concept of poverty was based on the idea that people are likely poor if they lack the resources and opportunities to participate fully in the society, they live in. This is closer to relative poverty and is often measured by comparing an individual's or household's income to the median income of their country or community (WB). Thus, Given the complexity of poverty, some economists have attempted to understand and define it from different perspectives. For example, (Sen, 1987) introduced the idea of "capability deprivation" as a measure of poverty, emphasizing the importance of individuals' abilities to do and be what they value as essential for their well-being. According to, (Townsend, 1979, p. 31) in this connection, he emphasized the concept or notion of relative deprivation, that is, arguing that poverty should be understood as the inability to maintain a socially acceptable standard of living based on the context of a particular society or country.

2.18 The Islamic Approach to Poverty Alleviation

The primary concept, when it comes to the approach of Islam in addressing poverty, tends to concentrate or focus on the concept of well-being (*Falah*), which includes not just material wealth but also moral, spiritual, and social aspects. (Ahmad, K. 1974, and Chapra, 2008). Ahmad (1974), and Chapra (2008), concerning the definition of Islamic poverty, include material needs. This includes issues like fair wages, the provision of public goods, and ensuring the market operates on the principles of fairness and transparency. Additionally, spiritual well-being: These Islamic teachings emphasize the importance of spiritual health, which is seen as just as crucial as material wealth. This underlines the understanding that poverty is multidimensional and not solely confined to material deprivation. (Ahmad, K. 1974, and Chapra, 2008). To conclude, Chapra's (2008), and Ahmad's (1974), work highlights that Islamic poverty definition is more nuanced and comprehensive, covering not only material needs but also spiritual, social, and ethical aspects.

Furthermore, as described by the poverty viewpoint, it denotes the complete physical deprivation of an individual's varied resources, especially when they lack essential components of human life such as food, employment, housing, and other necessities (Iqbal, & Khan, 2004). We can see that based on the Islamic context, this poverty is not just perceived as a social problem but also as an intellectual and spiritual issue of an individual (Sadeq, M. 2002). Also, it is considered a social burden, as it undermines the dignified status of human beings created in Allah's image, generates numerous social justice concerns, and unjustly disadvantages impoverished nations within the global human alliance. Simultaneously, poverty is viewed as an intellectual and spiritual evil within Islam. It hinders one's ability to fulfill their socio-religious duties and obligations towards humanity and Islam, and may even lead to "*kufr*," as it can push individuals to commit acts that are characteristic of non-believers and transgressors (Sadeq, M. 2002). Consequently, alleviating poverty has a positive impact on faith for Muslims. With regards to the teachings of the Prophet Muhammad (Peace be upon him) emphasize the importance of addressing poverty in Islam, as he stated that poverty becomes nearly synonymous with disbelief in Allah.

Unlike several global religions and philosophical systems that advocate for asceticism or monasticism, poverty within Islam is seen as a scourge to be eliminated through

concerted efforts (Obaidullah, 2008b: p.4). Poverty is thus regarded as incompatible with the "refinement of self (*nafs*)," which is one of the most significant objectives or objectives (*maqasid*) of *Shari'ah*.

2.19 The Poverty Alleviation Method is Based on A Charitable Organization

2.19.1 The Charitable Organization

This Charity organization holds a central position in Islamic efforts to alleviate poverty and promote sustainable development. In Islam, the term "*Sadaqa*" encompasses a variety of charitable practices with varying degrees of obligation (Kamrujjaman &, Obaidullah, 2016). Among such practices are *Sadaqa Jariya* and *waqf*, both pertaining to the perpetual benefits accumulated from the charitable endowment of physical assets. Islamic approaches to poverty alleviation have been effective, addressing the most immediate and pressing needs of the impoverished and aiming for long-term improvements in their circumstances. This effectiveness is predicated on the accurate assessment of an individual's financial situation, considering their consumption and productive investment needs, dependence on charitable contributions, and ability to make appropriate financial decisions (Kamrujjaman &, Obaidullah, 2016). A well-known Hadith elucidates the importance of economic empowerment in Islamic poverty alleviation frameworks. It presents a strategy for development built on non-profit mechanisms such as "*Sadaqa*", *zakah*, *qard-hasan*, and *awqaf*. This strategy emphasizes the accurate determination of an individual's circumstances, conversion of unproductive assets into revenue-generating assets, priority for basic consumption needs, provision of infrastructural support and technical assistance, time-limited monitoring of outcomes, and discouragement of reliance on charitable contributions (Kamrujjaman &, Obaidullah, 2016). Furthermore, Islamic charity, as both a subjective and social act of worship, is intrinsically tied to the principle of justice and the pursuit of social cohesion and solidarity. It aims to mitigate the negative effects of divisive socioeconomic conditions and uphold the rights of every individual to lead fulfilling lives. To conclude Islamic teachings, as exemplified in the Quran, highlight the significance of assisting the poor and destitute in the global community. They underscore the responsibility of those with resources to share them with those in need. Acts of charity within Islam, such as the practice of "*Sadaqah*", promise rewards in

both this world and the hereafter, fostering a societal structure of compassion and mutual support.

Abu Huraira reported:

“A person from the Ansar came to the Prophet Muhammad (Peace be upon him) as he was begging from people. He (the Prophet) asked (him): Has your need been satisfied? He said: He (the Prophet) said: (Go and) take a rope, for we shall give you as much (rope) as you can carry. Then he came and the Prophet Muhammad (Peace be upon him) made over him whatever he gave him. He begged again and the Prophet Muhammad (Peace be upon him) said: Take it. A man then came having a leather whip with him, and he the Prophet Muhammad (Peace be upon him) said: Give it to so-and-so, for he will pay your loan and compensate you for your whip. He then began to give him what Allah had bestowed upon him until he became one of the wealthiest persons in Medina. He the Prophet Muhammad (Peace be upon him) then said: Whatever you spend in the cause of Allah you will get a reward for it, even for what you put in the mouth of your wife.” (Sahih Muslim, Book 5, Hadith 2271).

According to Obaidullah (2008), these same following important terms of productive Islamic microfinance services could be seen in the aspects of the above sunnah:

- a) Connect towards the scheme for said poorest of the poor: The Prophet (peace be upon him) was indeed the religious and temporal leader of the Muslims, and he was always available to the poor and helped the poor with financial and economic help and support.
- b) A thorough assessment of the poor's financial condition; inquiry combined with kindness; emphasis on contribution and benefit stake: Several failed microcredit programs are the result of an insufficient assessment financial situation of the client position. The provision of microfinance does not make sense for an individual who requires social protection net programs and tends to result in financing being expended rather than invested in. The poor are divided into various categories based on their consumption and productive investment needs, in addition to their danger of delinquent behavior and default.

Microfinance programs that fund the poor indiscriminately, such as many ones supervised by the government, are doomed to failure. As such, this is among the pillars of microfinance "best practices," a state in which it is possible that such government must not play a direct or indirect role in the provision of financial services, instead of limiting itself to a favorable and supportive environment. Of course, insisting on the stake of the recipient is a tool for reducing moral hazard and improving productivity.

- c) Alteration of the beneficiary across intensive valuation, into revenue ones (based on the bidding method of price determination); participation in the procedure of the wider population: The poor owning high-market-value assets, such as land in a primary specific city, is common, but are unable to generate the asset's earnings or benefits. While owning land provides a shield for them against unanticipated hardships, it is a wasteful and inefficient type of insurance.

What then is desired is a method of transforming an unproductive asset into a revenue-generating asset. The existing capital is not damaged but rather transferred into an investment that generates income. The price at which the original capital is sold must be reasonable and not excessive. result in a loss of value to the seller. The auction system, according to modern finance theorists, is the most efficient method of determining either real value or a reasonable price.

Participation of the broader community in poverty alleviation programs is additionally quite important for the project's achievement. Many modern successful MFIs have found that involving grassroots NGOs in the procedure is the best strategy.

- i.) Achieving first, meet basic needs, after which investing the surplus in a long-term asset: Once again, this emphasizes the importance of considering the clients' consumption needs until individuals anticipate them to earn profit. Only recently has the microfinance industry recognized the importance of a social safety net to microfinance at an advanced stage.
- ii.) Significant program intervention in infrastructure building before income-generating activities and technical support to beneficiaries; dedication of program upper executives: This section of the hadith demonstrates the Prophet's (peace be upon him) unique commitment and involvement in the program poverty reduction is a term used to describe the process of reducing

poverty. It is impossible to imagine a more direct involvement in the committee could not be more sincere.

- iii.) Assistance in the form of providing the beneficiary with the required training to carry out the business strategy project; supervising through a time-limited process of timeline, and impact analysis as a result of a feedback mechanism like this: The importance of establishing an effective link between technical and financial support is being underlined such as never before between many microfinance experts. The implications of influence assessment cannot be overstated.
- iv.) Accounting for financial efficiency that is simple, as well as the ability to use a portion of income to meet higher needs: Clarity is a fundamental requirement of Islamic financial transactions, which is achieved through thorough accounting and proper documentation.

The Holy Quran declares:

“O ye who believe! When you deal with each other, in transactions involving future obligations in a fixed period, reduce them to writing” and “Let a scribe write down faithfully as between the parties” (Al-Qur’an, 2:282)

This verse's relevance and value are frequently misunderstood. Indeed, a major challenge confronting microfinance is the beneficiaries' lack of proper documentation and accounting. Profit-sharing mechanisms require suitable accounting and accurate measurement of operational or financial gains outcomes. They are no less critical of lending activities.

- v.) Strong disincentive to seek charity: We can see clearly as a result. The term "economic empowerment" essentially disqualifies reliance on philanthropy, which is only acceptable for charitable purposes and emergencies. The very lower classes of the poor, as well as those who are burdened by debt or other obligations but without any means of remuneration insight.

Thus, the charity had already had a significant impact and a significant position in the development and expansion of the global microfinance industry (Obaidullah 2008). And that significant contributions from international donors' non-governmental institutions either have provided the basic capital or are in the process of doing so or

assisted non-governmental organizations in the development sector in meeting their deficits, preferably early in the course of their operations. Recently, there has been a shift toward reducing their reliance on taking donations and turning them into identity financial institutions is the goal.

According to Obaidullah (2008), Consequently, a mission-based strategy for development and empowerment in Islam includes a variety of non-profit mechanisms such as "*sadaqa, zakah, qard-hasan, and awqaf*." This same term "*sadaqa*" has a broader meaning. It implies benevolence. *Sadaqa-Zakah*, when instructed and required of Muslims. According to its definition, *sadaqa* can refer to various types of charity. Donations (*tabarruat*), heba (gifts), *infaq* (charitable spending), and so on are indications. *Sadaqa jaria* (perpetual *sadaqa*) refers to when the benefits of "*sadaqa*" are expected to last indefinitely and entails *waqf* the charitable endowment of land, property, and physical assets. *Qard hasan*, also known as an interest-free loan, refers to loans that provide no added benefit or bring it back to the lender. We will now look at the institutions of "*zakah, waqf, and qard hasan*" in more detail.

This chapter extent "Charity is for the benefit of those who are in need." This is indeed an overall principle that requires us to help those who are in need, even if they are beneficial or harmful, whether they are on the right path or not, regardless of whether Muslims or non-Muslims. No one should pass judgment in these situations. The primary goals of charity should be Allah's pleasure and our spiritual well-being. As a result, in Islam, the concept of charity is linked to the concept of justice. It is not all about redressing injustices.

It entails, in addition to the removal of incapacities, the recognition that a human being has the right to live a full life. The Muslim's "life is centered on charity."

According to the Holy Quran:

And be steadfast in your prayer and pay charity; whatever good you send forth for your future, you shall find it with Allah, for Allah is well aware of what you do (Al-Qur'an, 2:110).

Thus, In Muslim society, a charitable foundation is indeed very significant. Several of the faith's main goals are to cultivate a feeling of community, which is aided by charity. Those who are involved in voluntary charity will be rewarded handsomely, according to the Noble Qur'an:

Those who believe, and do deeds of righteousness, and establish regular prayers and regular charity, will have their reward with their Lord: On them shall be no fear, nor shall they grieve (Al-Qur'an, 2:277).

A Muslim's life consists of various charities. According to Islam, wealth belongs to Allah and is protected by humans; therefore, wealth is a test for those whom Allah has also blessed with that as well, and Muslims might also avoid becoming worshipers to pass this trial of redistributed wealth. indeed, should instead use their wealth only in aspects that faith has authorized and recognize that perhaps the sum to be provided is indeed not their income, but rather their time and effort as that of someone who has less. Islamic charity is a unique form of worship in that it signifies both respectively subjective and social parts of (*ibada*) —worship. Regarding its socioeconomic implications: it liberates society from the negative effects of divisiveness. It opposes individual freedom, which disregards a certain struggle among one's nearest neighbors, as well as socialism which restricts individual liberty.

Neither selfishness nor renunciation is encouraged. It also promotes social cohesion and fosters a sense of brotherhood. Islamic charity symbolizes the enduring relationship that exists among members of the public, who are described by Prophet Mohammad (Peace be upon him) as " Such as body's cells, if only one struggles, the others rally to help." Humans are grateful to have adequate resources to live a comfortable life, however, millions of people do not have this privilege. Thousands of children, women, and men are living in abject poverty. Goods we take for granted in different countries, such as in some of the world's poorest countries, proper food, homes, schooling, and universal health care are taken into account as luxury items UKEssay (November 2018).

It is our responsibility to assist them, as the Qur'an and ways of life repeatedly highlight the importance of assisting the poor and destitute. Humans can make a difference and bring about a positive difference in the lives of many people if we collaborate. There are numerous advantages to being charitable: Charitable organizations cleanse, and Allah has promised us a huge reward for our wealth. if we are generous to our fellow humans UKEssays (November 2018).

Furthermore, it protects against natural disasters. It also protects against suffering throughout this world, as well as punishment until the day of judgment. Thus, it is suggested to perform (*Sadaqah*).

Those who spend their wealth [in Allah's way] by night and by day, secretly and publicly - will have their reward with (Al-Qur'an, 2:274).

2.20 Chapter Summary

This chapter, delves into the study's theory, focusing on Islamic institutions and their potential role in alleviating poverty. The chapter explores financial instruments currently used in *waqf* management and Islamic microfinance models, analyzing their societal impact and potential for poverty alleviation.

The discussion covers an exploration of *Shari'ah*-compliant financing, which has been positively demonstrated in several studies, suggesting a promising alternative for future institutions. It is emphasized that regular, small acts of charity are more pleasing to Allah than rare, larger contributions, also provides an overview of the various Islamic financial instruments employed in financing projects, with particular emphasis on *waqf* and Islamic microfinancing assets. The chapter offers insight into the requirements for valid *waqf* and Islamic microfinance, as well as the types of acceptable assets to proceed within the following chapter, which delves into a framework and an overview of the Philippines according to its structures, its banking system, and its relationship with *waqf* and Islamic finance.

CHAPTER III

BACKGROUND ON WAQF AND ISLAMIC MICROFINANCING IN THE PHILIPPINES

3.1 Introduction

This chapter delves into the historical context of *waqf* and Islamic microfinance in the Philippines, where they have taken root and evolved. Explore the issues addressed by these institutions in a country without the presence of a comprehensive legal framework concerning Islamic financing of the country. Provide examples of successful implementation of *waqf* and Islamic microfinance initiatives in the Philippines that led to improved living conditions for the Bangsamoro people; Suggest possible policy responses and actions that could help foster the growth and expansion of *waqf* and Islamic microfinance within the country.

3.2 Banking Framework in The Philippines

3.2.1 Philippines Banking Institutions

Banks are defined in the Philippines General Banking Law of 2000 as "enterprises involved in the lenders of cash generated through deposit accounts." The legislation also states that the Central Bank of the Philippines (BSP) oversees all initiatives and processes of all banks in the Philippines, including quasi-banks, trust organizations, and extra investment institutions. The bank's top focus is the safeguarding of funds via the affirmation of cash deposits and the availability of money lending as a source of credit (Latif, 2019). The Central Bank of the Philippines (BSP) supervises all banks in the Philippines. The said Banking institutions are classified based on their operations and ownership. Commercial banking institutions are classified into three types based on their operations: enlarged banking institutions, financial institutions, conventional commercial banks, and thrift banks are the three types of commercial banks. In contrast, there are private domestic banks, government banks, foreign bank branches, and foreign bank subsidiary companies (Latif, 2019). Banks owned by the government include the Development Bank of the Philippines, Landbank of the Philippines, and

Philippine Amanah Bank, the country's very first Islamic bank. Various types of banking institutions can be established in the country.

A country's Financial Service Law of 2000 categorizes banks into seven different categories: Universal Banks, banks that deal with companies or organizations, private infrastructure financial institutions, cooperative banks, rural banks, Islamic banks, thrift banks, and other types of banks as established by the Central Bank of the Philippines. The total number of banking and non-banking institutions supervised and regulated by the Bangko Sentral ng Philippines was listed. In the country, there are 581 banks with 11,485 branches and other offices, 775 non-bank financial institutions (NBFIs) with 7,988 branches, and two offshore banking units (OBUs). In addition, there are 25 cooperative banks with a total of 131 branches (BSP, 2018). Since about June 2018, universal banks have dominated the country, with a total of 21 banks with 5,993 branches and other offices throughout the country, followed by 22 commercial banks with 533 branches and other offices. According to Latif (2019), there are 55 thrift banks and 458 rural banks, with a total of 2,470 and 2,358 branches and other offices illustrating that the stated banks throughout the country are usually classified according to their size and capital requirements. The amount of capitalization, the types of activities, and the authority are all factors to consider, granted the capital requirements for universal banks are 4.9 billion and 2.4 billion Philippine pesos (PHP), respectively. Thrift banks with main offices in the capital city have a minimum capital of 325 million Philippines pesos (PHP) required outside of Manila. ₱1,000,000 is the minimum capitalization requirement for rural and cooperative banks depending on where you live, it can range from 2.6 to 20 million (PHP). In terms of the different types of activities, letters of credit and drafts can be issued by universal and commercial banks. Banking institutions can also accept deposits, and discounts, negotiate promissory notes, and buy and sell foreign currency. Thrift banks, on the contrary, allow neither their deposit savings nor their capital to be invested in borrowing or home advancement (Espanilla, 2017).

3.2.2 Islamic Banking in The Philippines

In 1974, the late President Ferdinand Marcos the government of the Philippines established the Philippine Amanah Bank the sole financial institution that functions

independently following Islamic principles, being at the forefront of initiating Islamic banking through the enactment of Presidential Decree No. 264 (Latif, 2019).

A regulation specifically targets the bank, requiring it to allocate 75 percent of its total lending for investment purposes in credit lines for both short and long periods for Bangsamoro Autonomous Muslim in Muslim Mindanao (BARMM). Even though that was the situation, it became necessary to establish the fundamentals of Islamic banking and finance to begin addressing the financial needs of the nation's Muslims in compliance with their religion, the Philippine Amanah Bank was still not productive in this authority due to several relevant limitations, along with the Muslims' unsettled perceptions more towards the existence bank. The name of the institution was altered to Al-Amanah Islamic Investment Bank of the Philippines from the Philippine Amanah Bank, signifying a shift in its mission and operations. The transformation was made possible through Republic Act No. 8648 in 1990. With the changes, the bank was granted the financial capacity to extend its reach and services, exemplified by the one billion Philippine pesos (PHP). According to the AAIIBP Annual Report (2018), similarly, authorized financial investment had been intended to increase the financial institution's transactions to enhance the economic development of Muslim Mindanao's Autonomous Region across financial services, investment, and putting money in business-related, such as the manufacturing, and agricultural sources centered on the fundamentals of Islamic. The Philippines Al-Amanah Islamic Investment Bank decided to offer private events due to poor results, and that was not realized. Amidst the unpleasant operating conditions, the AAIIBP, the foremost Islamic financial institution in the country, provides a range of banking products and services grounded in the principles of Islamic banking and finance. Over the years, it has been a prominent player in the failure to generate any profits. From 1990 to 2006, its poor performance resulted in financial liabilities of 554 million Philippines Pesos, with just an estimated annual team loss of ₱33 million (Iqbal & Mylenko, 2016). In July 2008, the Development Bank of the Philippines (DBP), along with several government banks in the country, acquired Al-Amanah Islamic Investment Bank of the Philippines intending to enhance and support its operations. Subsequently, the Islamic bank introduced a comprehensive financial institution recovery plan, enabling it to engage in both Islamic and conventional banking activities (Iqbal & Mylenko, 2016).

Latif (2019) highlights the regulatory challenges associated with Islamic banking in the nation, the Muslim communities had already attempted to persuade the administration to develop and strengthen Islamic banking throughout the archipelago. Some Muslim legislators have proposed expanding Banking practices in the country based on Islamic principles.

There seems to be established legislation in the Philippine Congress that seeks to modify the existing Republic (Act 6848) recognized as the "Charter of the Al-Amanah Islamic Investment Bank of the Philippines" to focus on providing authority for the expansion of Islamic banking with such a material and well-established Islamic banking legislative structure. Al-Amanah Islamic Investment Bank of the Philippines was established in October 2009. Formulated a five-year rehabilitation plan, which was approved by the country's Monetary Board and focused primarily on company procedures. These plans are as follows: capital raising, reorganization, financial viability reconstruction, and reforming institutions. This banking instrument is now permitted to conduct contextual conventional and Islamic banking operations as part of its rehabilitation. Although the Islamic Banks in the country mentioned. They managed to have these main headquarters, which are currently located in Makati City, Philippines. Furthermore, there are a minimum of eight branches of Islamic banks situated across the country, particularly in southern Mindanao, including Marawi City, Cagayan de Oro City, Iligan City, Cotabato City, Davao City, Jolo City, General Santos City, and Zamboanga City (AAIIBP Annual Report, 2016). As articulated by Muhammad (2017), there is an endeavor in the Philippines to establish an Islamic financial system as a credible substitute for a traditional banking system that gives or presents a difficult problem for traditional interest-based banking. Due to the double account opening in traditional banks is a problem for Islamic banks as well. The country faced these difficulties, and we can see that when it comes to creating or establishing Islamic Finance institutions. Comparing the two opposing institutions will pose a challenge in the future due to the lack of funds.

Moreover, Islamic financing, being less sophisticated than traditional finance, further adds to the complexity of the incompatible system. Despite the swift expansion of the Islamic banking sector in the Philippines and neighboring countries, the practice of Islamic banking remains unlawful in the Philippines.

This legal restriction hampers its potential for expansion and inhibits its entry into both domestic and global financial markets. Several interrelated main challenges have been highlighted as the cause of its delayed expansion. This raises a serious query about the expansion of Islamic financing over the long run. In the past few years, we have been challenged to develop Islamic institutions within the country. In this situation, the country has had difficulty resolving the said Islamic institutions, and there will also be a lot of changes to financial institutions to face in the following years or the upcoming years. The bank lacks the technical capability internally, and the working money needed to cover remedies undercapitalized and poorly invested (Annual Report ADB, 2017).

3.3 The Challenges of Waqf and Islamic Microfinance in The Philippines Are:

3.3.1 A Dearth of Experts on Islamic Financing

It is still difficult to legislate Islamic finance because it takes a while for the country's Islamic banks to build good governance. The country's lack of Islamic banking and finance experts limits its growth. To introduce and continue to function Islamic banking successfully, efficiently, and under Shari'a law, eligible bankers, employees, and regulatory agencies who understand Islamic financial transactions are required. Despite being operational for over four decades. The Al-Amanah Islamic Investment Bank of the Philippines has not undergone any changes fully utilized to enhance the accessibility of Islamic banking and finance expertise in the country (Latif, 2019). The only Al-Amanah Bank in the Philippines this bank never really operated in full and in the same manner as universal banks, Al-Amanah Bank shall be licensed and regulated. The previous president of the Philippines, Rodrigo Roa Duterte, signed Republic (Act 114399), which allows the newly established government to establish Islamic banks in the country, which creates opportunities for greater financial inclusion of the Muslim community in Mindanao. Islamic Microfinance in the Philippines will unlock the full potential of Islamic financing.

This is assumed to be a big chance for the Muslim community, including those from the Bangsamoro Region in Central Mindanao. Despite the recent approval of (R.A. No. 114399), there are still no Implementing Rules and Regulations (IRR) established for it.

which was passed into law on (22, August 2019) and began operation on (15 September 2019), gives the (BSP) the legitimate authority to have a comprehensive view of Islamic banking rules and regulations, which are still in process.

On Wednesday, May 4, 2022, in Manila Philippines, BARMM Chief Minister Ahod Ebrahim — represented by MAFAR Minister Mohammad S. Yacob, BSP Governor Benjamin E. Diokno, (DOF) Undersecretary Bayani H. Agabin, and (NCMF) Officer-in-Charge Yusoph J. Mando — signed the Memorandum of Agreement. A Bangsamoro Administrative Office (BAO 2022) in Cotabato City, Philippines, entered into a Memorandum of Agreement (MOA) on instituting the Shari'ah Supervisory Board in the Bangsamoro Autonomous Region in Muslim Mindanao in collaboration with the national government, Bangko Sentral ng Pilipinas (BSP), Department of Finance (DOF), and the National Commission on Muslim Filipinos (NCMF). A great opportunity was given to the Bangsamoro government. The government institutions recently announced a Joint Circular to implement (Articles XIII, 32, and 34) of the "Bangsamoro Organic Law" (BOL), which further enhances the creation of an Islamic banking and finance system in the (BARMM). According to Chief Minister Ebrahim (May 2022), Islamic finance or Shari'ah-compliant financing is among the largest rising aspects of the global financial sector, according to the Asian Development Bank. A sector crucially used by \$1.9 trillion in 2015. "Through the Services Selection Board (SSB), the Philippines moves closer to unlocking this, as well as economic advantages and prospects, while also recognizing the morals of its Bangsamoro components," Ebrahim explained. Among the (SSB's) responsibilities is to provide Shari'ah opinions on Islamic banking transactions and Shari'ah products in the (BARMM), rather than when required by the (BSP), financial institutions, as well as other stockholders.

Among the SSB's responsibilities is to provide *Shari'ah* viewpoints on Islamic banking transactions and Shari'ah products in the (BARMM), rather than when required by the (BSP), financial institutions, as well as other stockholders. (SSB) need be made up of nine (9) representatives: five from the private industry, ideally Filipino residents, and one from the Bangsamoro Government, DOF, BSP, and (NCMF). "The collaborative approach does not end with the agreement of the combined circular, and the (MOA), government agencies, as well as the private industry should proceed to partner up until our perspective of an Islamic banking and finance natural environment that can coexist

with conventional systems is recognized," BSP Governor Diokno said (Bangsamoro Government, 2022).

3.3.2 The Dearth of Waqf Property Development

That is relevant in today's Muslim community experiences a notable influence as a result of *waqf*. Therefore, it could serve as the main building system for masjids, Islamic institutions, and social services.

Waqf monies designated for masjid construction were used for Islamic community projects and improved religious advancements, such as feeding and housing the needy and those hurt by Moro battles against the government. The trustees (*mutawalli*) for the *waqf* land were appointed to be both religious institutions and other people.

In light of the challenges and sacrifices endured by the Bangsamoro people over recent decades, philanthropists from various Muslim regions have stepped forward to offer cash *waqf* contributions. These funds are dedicated to the reconstruction of mosques and madrasahs that suffered destruction during the conflicts between Muslim fighters and government forces. The support from these generous benefactors aims to facilitate the revival of essential religious and educational institutions, contributing to the restoration of communal and cultural foundations impacted by the enduring consequences of war in the region (Gamon & Tagoranao, 2018). Following the independence of the Philippines, the Bangsamoro community faced challenges in the effective development of Muslim *waqf* lands (Gamon & Tagoranao, 2018).

Religious organizations and others were assigned the role of trustees, also known as (*mutawallis*), for the *waqf* land. Nonetheless, a portion of those assets, according to Gamon, & Tagonarao (2017), were just not adequately managed or enhanced for the purposes:

However, certain assets were not efficiently handled or utilized pertaining to the following reasons.

- A significant segment of Filipinos (who practice Islam) are ignorant of the importance and value of *waqf*.
- Numerous additional trustees (*mutawalli*) exploited or improperly administered *waqf* qualities for the benefit they received.

- A shortage of funding from halal sources prevented the development of *waqf* qualities.
- The Muslim scholar's unwillingness to support efforts to spread Islamic knowledge on the advantages of the *waqf* system.
- A lack of support from both public and commercial organizations is apparent.
- There appears to be a limited number of wealthy Muslims prepared to contribute some of their earnings towards *waqf*-related causes.

3.4 Waqf Institutions in The Philippines

Such as the *masjid* and Islamic schools established by local leaders and chieftains (Datus) in different areas, played a crucial role in preserving and establishing the Islamic presence in the country. Even prior to the creation of the Regions of the Bangsamoro, the *waqf* exerted a substantial influence on the Muslim community in this country.

The concept of *waqf*, or "endowment," has been embraced and integrated into the traditional Islamic practices of the Filipino people (Gamon, & Tagonarao, 2017). Institutions related to the *waqf* may date back to the Philippines' pre-colonial period.

The earliest settlers of the southernmost islands of the archipelago, traditionally, communities have been guided by their unique culture and traditions, passed down through generations. In a widely embraced practice, a *waqf* involves the donation of property to support the development of mosques, *madaris*, Muslim cemeteries, irrigation systems, educational institutions, residential halls, and various other nonprofit endeavors. *Waqf* assets were the sole source of funding for both religious schoolteachers, giving people a secure means of surviving while also enabling them to engage in academic pursuits and produce significant educational outcomes that support the advancement of Muslim technical and past and present endeavors in the Bangsamoro Region. Because of anti-Muslim prejudice in the Philippines at the time, the Spaniards destroyed several *waqf* lands. The colonial policy against Islam was started by a Spanish religious institution. The American government did not supervise or advance the *waqf* land, *masjids*, *madaris*, or other Islamic organizations during this

time reworded based on the United States Constitutional enduring principle of distinguishing between religion and government.

A colonial administration developed Moro's land registration scheme In line with the proclamation made by the American Governor-General positioned in the Philippine Islands. On Muslim customary and traditional territories, it was resolved to address the justifiable concerns. Particularly during the post-independence era, Filipino historians and economists have not fully embraced the founding of *waqf* and its evolution. Land grabs and the unequal distribution of opportunities for Muslims have been facilitated by a government objective for land redistribution in the Southern Philippines, which appears to be commonly linked to economic materialism (Tagonarao & Gamon, 2016). The development of Christian land regions, but not Muslim land areas that are still being maintained inefficiently.

Land disputes between Muslims and Christians become more common as a result. Through the government's legal maneuvers, Christian settlers have effectively colonized and established themselves in areas of Mindanao as well as Muslim property allocation through all the *waqf* schemes. In the past forty years, over 200,000 Christians have relocated to the Cotabato region, bringing the once-majority-Muslim rural territory down to just 30% of the population (Gamon & Tagoranao, 2018).

A thousand ex-criminals and communists who had been freed from prison already lived in a number of the Muslim-developed areas under the supervision of the government's planning process. Conflicts over property and prejudice against Muslims were a couple of the causes of the war in the Southern Philippines. This same *waqf* system gave the people of Mindanao a wide range of essential services, including health, education, and others, at the time prior to the government agreement program in that region. The governmental commitment to investing in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) would have made a significant impact had it acknowledged *waqf* organizations as contributors to fulfilling the financial needs of the people. Consequently, there is still no constitutional law legislation that governs or regulates real estate in the nation. As a result, *waqf* properties are not subject to any specific laws governing their governance, management, or development. The Muslim community in the Philippines has made important contributions to the growth of Islam in the nation and only owns property that is eligible for *waqf*.

Muslims seem to be aware that the *waqf* helps the underprivileged, orphans, and many other people who require financial support. A multitude of Islamic places (*Masjid*) of worship and educational institutions have been founded throughout the region, funded by donations from Islamic organizations and nations. The *waqf* Law was disregarded by the government as mandated by (P.D. 1083) under the category of "Muslim Personal Laws."

However, it agrees that Muslims in this situation have recently been pressured to advance or improve the effectiveness of individuals in a way of being religious obligations and intents in addition to putting in place a political system that is closely related to the fundamentals of Islamic law. The way that the Islamic community upholds its faith demonstrates how positively the country has impacted the development of Muslim nations. The Muslim community is working on creating and preserving the tradition of *awqaf*, showing that every Muslim community has benefited from its socioeconomic growth, and as a significant part of the Muslim economy, it serves a religious purpose for everyone (Tagonarao & Gamon, 2016).

Philippine laws that regulate land and *waqf* property are not in control of or manage the claims regarding *waqf* property in the country, even though they are addressing a problem that is thought to have been seen. The primary objective of one of the present practices is to provide support to the growing Muslim community in the Country.

As a result, the Philippine government's system does not cover the Muslim community of the southern Philippines' continued practice of *waqf*. This is because the *Waqf* administration has not received financial backing from the Philippine government. (Tagonarao & Gamon, 2016). Despite this, Private land in the southern Philippines belongs to the Muslim population and meets the requirements of *waqf* traditions; in this regard, it can be said that there has significantly advanced the purpose within the nation of Islam. This exemplifies how a specific *waqf* exercise can be publicized through religious streams.

3.5 Administration with Waqf Institutions

According to Tagonarao & Gamon (2016), vast numbers of local administration of *waqf*, *masjids*, and religious schools have indeed a total of 115 been founded across the country through all the tears and face challenges of individual Muslims in the

Philippines, along with funds "*waqf* funds from different Muslim countries and institutions". *Waqf* has been an essential pillar in facilitating Muslims' economic growth, especially in the Country. Consequently, several other religious Muslims have been engaged in this type of *waqf* system, either as benefactors or as beneficiaries of *waqf* properties, without fully comprehending the true purpose of "*waqf*" as well as its characteristic features. Some of them are willing to donate "movable and immovable" property to aid those who are homeless and engaging in actions beyond the confines of religious ethics, with the aspiration that such deeds will yield an everlasting reward in both the present life and the hereafter. Thus, and besides, why is there this void of comprehension and awareness? According to, Tagonarao & Gamon (2016).

We said that a few people blame religious divisiveness and religious experts' failure to adequately describe the *waqf* mechanism to the followers of Islam.

Moreover, in the capacity of an outcome, certain individuals from the Muslim community in the Country are ignorant pertaining to the principles of *waqf* also their significance in fostering religious objectives and educational initiatives. Some people may not recognize that properties under *waqf*, according to Islamic tradition, are seen as possessions of Allah (*Subhānahu wata 'ālā*) and have three distinguishing features, such as (*Makdisi*).

- a) (Irrevocability) It indicates the "donor's " inability to revoke his donation at any period; a statement by the funder is irrevocable and does not require shipment of custody to the recipient.

The assets are transmitted from the recipient's ownership to Allah's ownership. The *waqf* agreement is expected to take effect immediately and is non-terminable.

- b) Once the perpetuity begins recipient agrees with *waqf*, which becomes valid and binding as well as occurs in perpetuity, or till the "Day after Judgement". It is not limited to areas and thus is not of short duration.
- c) In this case (alienability) *waqf* properties must not be separated or transmitted by the *waqif* or the (*mutawalli*), nor can descendants pass down them. It cannot mortgage or pledge lending privacy.

In the above discussions, in the Philippines, *waqf* assets or properties have been practiced in building masjids, Islamic school administration, and charitable poor Muslim-related initiatives. These characteristics also established and enhanced the Bangsamoro people's religious adherence and professional training. However, the scheme of *waqf* is plagued by issues, particularly in terms of management and development. Moreover, this same emergence of *waqf* (pl. *awqaf*; sing. *waqf*) establishments or fundamental Muslim endowments in the Philippines could be linked back to before colonialism. *Waqf*, also known as endowment, is an integral part of Islamic law in the Philippines and is deeply intertwined with the beliefs of the local Muslim community. It is important to note that there is no centralized government organization responsible for administering *waqf* properties in the country. Under the circumstances, Muslim communities have taken the initiative to fulfill their religious obligations and manage their own developmental projects. Due to the sheer circumstances, Muslim communities have been required to play a leadership role in carrying out their religious responsibilities through identity development. Consequently, fundamental institutions, religious nonprofits, and educational establishments that are involved in *waqf*-related activities are not effectively managing *waqf* assets. In essence, the country's *waqf* system lacks standardized administration and management control (Tagonarao & Gamon, 2016).

Thus, the *awqaf* assets were managed by the Datu or Sultan of each Muslim community. He received assistance from other appointed "Datus", religious leaders, or the imam of the district mosque. They assumed management, monitoring, and regulation based on certain characteristics of customs and traditions as modified by Islamic law. They were successful in consolidating and developing mosques and Madaris as an intellectual framework for their battle against colonialism in the West.

Furthermore, these "Datus and Sultans" were unable to establish the *waqf* lands reserved for Muslims by the American "Colonial Administration". The government no longer recognized the "Sultans and Datus" authority to organize and administrate the *waqf* properties in their respective areas, referencing the constitutional requirement that no royal titles are legally recognized. (Gamon & Tagonarao, 2018). Nowadays when wealthy individuals create *waqf*, a religious figure or institution is typically chosen as "*mutawalli*" or administrator.

The [Markadh al-Shabb al-Muslim fil-Filibbiin] is the founder who chose the most well-known religious organization to administer their estates. This organization is in control of several local and international contributions.

Nevertheless, it only manages endowments categorized as” *waqf al-khayr*”, that require public or religious charitable organizations (mosques, Madaris, hospitals, radio stations, pharmacies, multipurpose buildings, and so on). These bequests are distributed by the *waqf* segment as well as owned by a group of religious men, and the head of state of the [Markadz al-Shabb] appoints one of them as the founder of the division. This segment has sole authority over *waqf*. The [Markadz al-Shabb] used to develop the endowment by prioritizing the implementation of the most important project over the others. Due to its significance to the Muslim community, the [Poona Marantao Hospital] was the first to be established on the list. The hospital was built on *waqf* land that the pioneers inherited from their parents. The hospital is overseen and held under the Board of Trustees' control, which is led by the Chairman, who is assigned by the Board members (Tagonarao & Gamon, 2016).

An institution has been able to improve its significant role in terms of contribution to the economic well-being of the Filipino Muslim community in the Philippines. It also provides welfare care to Muslims worldwide. Management of the *waqf* is exemplified by the Jamiah al-Filibbin al-Islmiyyah (JPI), Jamiat Muslim Mindanao (JMM), Jamiat Marawi al-Islamiyah Foundation (JMIF), Pacasum Student, and Pangarungan Islam College, which are Marawi-based private schools originally formed by influential Marawi family members. Muslim students attend these academic institutions, but male and female students are separated. These organizations were created as *waqf* to support the owner's family. Family *waqf* is not deemed a nonprofit organization under Philippine law this is not organized solely or entirely for religious and moral purposes, and a portion of its operating earnings is intended for the advantage of private owners.

The above five Islamic schools in Marawi City have also aided the Muslim industry's social-economic, religious, as well as developmental advancement. They sent Muslim missionaries to central Mindanao, where it improved the requirement for Islamic and Arabic instruction.

Several of the faculty and administrators are Muslims with advanced degrees from universities in the Philippines and abroad, especially in the “Middle East, Educators who qualified provided free graduate school fees and texts”.

Those who have graduated from these institutions have added to the global enhancement of the efficiency of Muslim practitioners, in either governmental agencies or as social-economic officials (Tagonarao & Gamon, 2016).

3.6 The Most Important Waqf Institutions in The Philippines:

3.6.1 Al-Waqf Charitable Establishment

The significance of *waqf* is still remembered by the Muslim community and those among the family members who support the *waqf* foundation. "The *Al-Waqf* Foundation" was founded as an organization whose primary purpose is to promote and provide financial assistance to developments such as Local Masjid building projects, Schools of Islamic learning, and water source infrastructure.

This Foundation has successfully established Islamic educational institutions in various municipalities. throughout the southern Philippines including:

- The Madrasah Salman Bin Farisi - a newly established Madrasah with four classrooms (Islamic School) throughout Qatar, financially supported and supported by" Salem Al Mahshadi," a Qatari government.
- The Haya Bint Rashid Al Mahshadi- of Doha, funds and sponsors Religious.
- The Islamic school Umm Mu'minun Aisha Radi-Allahu 'Anha.
- The Abdullah bin Umar Madrasah, located in the region of Marawi, received full support from the Mohammad Al-Ka'abi and Shamah bint Ali Al Mashhad, both of whom are from Qatar. (May Allah be pleased with him).

3.6.2 Religious Organizations (masjid foundation)

The *Masjid* is a well-known religious historical foundation in the southern Philippines. In the Muslim community, this is becoming a religious practice, (Hughes, 2008). Almost any region in the country seems to have several masjids built on *waqf* properties and funded by Islamic financing offered by individuals as well as some religious and voluntary nonprofits.

Most of these masjids are given as *waqf* by heads of state or any other Islamic United Arab organizations (Tagonarao & Gamon, 2016). The "Sultan of Brunei, Hassanal Bolkiah", donated *waqf* funds, including a grand masjid in North Cotabato City

Philippines, to gold-plated domes and towering minarets, it is recognized as the Philippines' biggest masjid. The building was constructed under Mindanao's Peacebuilding Project. The *masjid* becomes a religious site for Muslims as well as an emblem of tranquility for everybody, together with Filipino non-Muslims. Numerous mosques make up the religious cornerstones within the Muslim community. Among these is the Salam Masjid Compound, located next to Manila in Quezon City. This property was purchased in 1971 through a generous donation given by the Libyan Minister of State, Salih Bouyasir, with the intent to establish an Islamic center (as per Philippine Studies). The Islamic Directorate of the Philippines (IDP) reported that the property's trustee (*mutawalli*) had officially registered it in association with the Financial Services Authority. Furthermore, the State Commission (SEC) recognized it as a religious institution. Measuring about 4.9 hectares, the Salam *masjid* compound has unfortunately been a center of controversy and conflict, making it the most disputed and consequential *waqf* property.

This has primarily resulted from instances in which certain Muslim leaders inappropriately managed and sold the lands to a non-Muslim religious organization, specifically Kisala. Muslim residents in the Philippines predominantly inhabit Manila, the capital city, and its surrounding metropolitan areas. There are over fifty masjids in the country, muslims from the southern Philippines who moved to Manila were persecuted. Individuals also gathered and analyzed "cash *waqf*" for the construction of a masjid. Once they are, that also provides the financial point of their daily lives. Religion inside the facilities among these masjids, and organizations requires training and Islamic lessons. Another created, *waqf* system governs the King Faisal Masjid located at the Main campus of Mindanao State University (MSU) the establishment of the King Faisal Masjid and its subsequent development was generously funded by Saudi Arabia's late King Faisal, after whom it is named. Within the main campus of the university, there's also a place known as the "Center for Arabic and Islamic Studies", which is a testament to King Faisal's patronage. That *waqf* system governs Mindanao State University, one of the best universities in the Mindanao region. The *waqf* property played a major role in proving the institution's Islamic identity inside the country. When viewed through various historical eras, the Muslims in the Philippines appear to have been steadfast in managing and protecting *waqf* properties.

Amidst the ever-changing impact of secular-oriented legal traditions on the improvement of organizations, a *waqf* as well as other Islamic financial relevant institutions served their spiritual objectives and financial purposes to some significant degree (Gamon & Tagonarao 2018).

Furthermore, this research suggests that religious organizations, Muslim scholars, and Muslim leaders in the southern Philippine islands acquire knowledge from neighboring Muslim countries, particularly Malaysia, Indonesia, and other Muslim countries so on to establish a reliable *waqf* and Islamic microfinance framework for great leadership and structured finance.

3.7 Chapter Summary

This chapter investigates the history, status, and potential applications of *waqf* and Islamic microfinancing in the Philippines.

This chapter has highlighted the *waqf* and Islamic microfinance institution's need for a broader scope framework to ensure the establishment of a trustworthy *waqf*-based and Islamic microfinance model in administration and financing in the Philippines, which would also lead to supply robust backing for the implementation of healthcare facilities and Islamic spirituality institutes, and higher education institutions especially the betterment among the Bangsamoro populace in Mindanao, Philippines. Despite the country's challenges, we see that even though the government fails to support such initiatives as expanding Islamic microfinance in the country. With the benefit of the people of Bangsamoro, which has been a great opportunity for every Muslim society in the south of the Philippines. Furthermore, the researcher suggests that religious organizations, Muslim scholars, and Muslim leaders in the southern Philippine islands acquire knowledge from neighboring Muslim countries, particularly Malaysia, Indonesia, and other Muslim countries so on to establish a reliable *waqf* and Islamic microfinance framework for great leadership and structured finance. To obtain the result of the research, the researcher will illustrate the study's empirical results in the following chapter.

CHAPTER IV

ANALYSIS AND RESULTS

4.1 Introduction

This chapter is to assess the awareness of *waqf* among the Bangsamoro and Islamic microfinance for poverty alleviation in Mindanao, Philippines. It is important to have these surveys to gauge the extent of awareness of the people of Bangsamoro about *waqf* and Islamic microfinance in Mindanao, the Philippines for poverty alleviation. The thesis emphasizes these surveys, this is because it is not enough to only have one or two survey questions in this study. To comprehensively understand the respondents' level of awareness, the survey questions are divided into two assessments. The first assessment is directed towards the awareness of *waqf*, whereas the second assessment focuses on their understanding of Islamic microfinance. The survey questions are presented and discussed in line with the research hypotheses, ensuring proper evaluation. In Tables 4.2 Descriptive Statistics Table 4.2.1 Demographic background Table 4.2.2-4.2.5 The survey distribution to the respondents. Table 4.3 Empirical results, Table 4.3.1 and the awareness of *waqf*. Consequently, the subsection serves to present the respondents' awareness of *waqf* and is determined through survey questions designed to measure their understanding of *waqf* and its importance in poverty alleviation. The responses are analyzed and compared to the research hypotheses to test their validity and relevance. Table 4.3.2 Awareness of Islamic Microfinance. Similarly, this subsection delves into the analysis of the respondents' awareness of Islamic microfinance. Table 4.4 Summary of the findings.

4.2 Descriptive Statistics

The research utilized primary data gathered from a sample of 204 participants. The target respondents are the Bangsamoro from Mindanao, Philippines, in addition, there is no missing data. The provided data will be interpreted with the results and will be done by analyzing with SPSS developed by (IBM) and Microsoft Excel.¹



¹ This article, ‘Lampatan, S. (2022). Assessing the awareness of waqf of the people of Bangsamoro in the Philippines. *International Journal of Islamic Economics and Finance Research*. 5(2 December), 113-125. DOI:10.53840/ijiefer88’ was originally published as part of my thesis study on the same topic and is considered a component of the data tables.

Table 4.1: The Distribution of Genders

		Frequency	Percent
Valid	Male	122	59.8
	Female	82	40.2

The gender distribution is shown in Table 4.1. With a total of 204 respondents participating in this survey, the vast majority of participants are 122 males and 82 females. It indicated that participation in gender distribution had a high mark of 59.8% of male respondents and 40.2% of female respondents. Due to their interest, they could be easier to trigger than female participants, as they are so simple to find on social media.

Through the analysis of the gender distribution by factoring in gender influences, the survey results become more accurate, impactful, and reflective of the realities of the surveyed community. Understanding how gender influences choices empowers decision-makers to make informed, data-driven decisions that align with the diverse behaviors of their target audience.

Table 4.2: The Distribution of Age Groups

		Frequency	Percent
Valid	15-29	80	39.2
	30-44	75	36.8
	45-59	44	21.6
	60-64	4	2.0
	65-above	1	.5
	Total	204	100.0

The age distribution is shown in Table 4.2. With a total of 204 respondents participating in this survey, the category of age 15-29 had a total of 80 with 39.2 % a vast majority of respondents, while the age category 30-44 had 36.8 %, and the age category 45-59 had 21.6%. As per Republic Act No. 9994, also known as the "Expanded Senior Citizens Act of 9994," the term "senior citizens" refers to any Filipino individual aged sixty (60) years or older. This act aims to provide additional benefits and protections to this age group, the age category 60-64 had 2.0 % while the age category of 65 and above had only 1 participant with .5%.

The analysis of the age distribution holds a pivotal role in guiding the selection of the most suitable age group for targeting. By delving into the data, we gain valuable insights that are indispensable for decision-making and strategy development.

Table 4.3: The Distribution of Marital Statuses

		Frequency	Percent
Valid	single	68	33.3
	married	123	60.3
	widowed	7	3.4
	divorced	3	1.5
	single parent	3	1.5
	Total	204	100.0

The marital identity distribution is shown in Table 4.3 shows the marital status distribution is shown in with a total of 204 respondents participating in this survey, the category single had a total of 68 respondents 33.3 %, while the married category had a total of 123 with 60.3 % a vast majority of the respondents, the category of a widowed had a total of 7 respondents with 3.4 %, the category of a divorced had a total of 3 respondents with 1.5%, and the category of a single parent had a total of 3 respondents with 1.5%.

The analysis of the marital status distribution is understanding the behavioral and consumption differences among various marital statuses is crucial for tailoring services and offerings to each category's unique needs, benefitting businesses, policymakers, and service providers.

Table 4.4: The Distribution of Family Sizes

		Frequency	Percent
Valid	below 5	77	37.7
	5-7	87	42.6
	8-10	35	17.2
	10 above	5	2.5
	Total	204	100.0

The family size distribution is shown in Table 4.4. With a total of 204 respondents participating in this survey, the category below 5 had a total of 77 with 37.7% participating in the survey, the category 5-7 had a total of 87 with 42.6 % a vast majority of participants, the category 8-10 had a total of 35 with 17.2 % participating in the survey, and the category 10 above had a total of only 5 with 2.5% participating in the survey.

The analysis of family size distribution is vital for tailoring support systems, services, and policies to meet diverse community needs, enhancing overall well-being, and fostering a more inclusive, resilient community.

Table 4.5: The Distribution of Educational Levels

		Frequency	Percent
Valid	Informal education	4	2.0
	Islamic Schools\ madrasah	103	50.5
	Primary	24	11.8
	Diploma\college	73	35.8
	Total	204	100.0

The level of education distribution is shown in Table 4.5. With a total of 204 respondents participating in this survey, the category informal education had a total of 4 with 2.0% participating in the survey, the category Islamic School/ madrasah had a total of 103 with 50.5 % a vast majority of the respondents, the category primary had a total of 24 with 11.8% participating in the survey, and category diploma/college had a total of 73 with 35.8% participating in the survey.

The analysis of the level of education distribution highlights the diversity in educational backgrounds among the respondents, ranging across categories such as informal education, Islamic School/madrasah, primary, and diploma/college. Each of these categories signifies a unique educational progress, reflecting the diversity in educational attainment within the surveyed community.

4.3 Empirical Results

This thesis, surveyed Bangsamoro people in Mindanao, Philippines to assess their level of understanding in two specific areas: *waqf* and Islamic microfinance for poverty alleviation. We have created a Likert scale-based questionnaire to gather responses from a total of 204 participants.

4.3.1 Assessing The Awareness of The Respondents About Waqf

Table 4.6: I Am Informed That The Institution of Waqf Exists

	Frequency	Score	Total Score
Strongly Disagree	7	1	7
Disagree	27	2	54
Neutral	84	3	252
Agree	25	4	100
Strongly Agree	61	5	305
Total	204		718
Total average			3.52
		$\frac{sum}{5}$	=70 %

This question is intended to assess the participant's recognition of the presence of the *waqf* establishment. For this reason, those who responded with "strongly disagree" were assigned an awareness score of 1, indicating their lack of awareness. Conversely, those who answered with "strongly agree" were assigned an awareness score of 5, indicating their high level of awareness of the *waqf* institution. The result is shown in Table 4.6, the table indicates that 61 respondents strongly agreed out of 204 who responded, with a total score given. The findings suggest that the respondents, on average, have an awareness score of 3.52, which corresponds to an aggregate average score of 70%. This indicates a neutral level of awareness among the respondents.

This neutral level of awareness may be attributed to limited direct engagement with religious and educational institutions related to *waqf*. Additionally, the concept of *waqf* may not be widely known or integrated into other aspects of the Bangsamoro community in the Mindanao region, leading to a neutral awareness among respondents. Some of the Bangsamoro people may only be familiar with *waqf* institutions within Islamic *madrassahs*.

Table 4.7: I Am Not Aware of The Purpose of Waqf in Islam

	Frequency	Score	Total Score
Strongly Disagree	26	5	130
Disagree	34	4	136
Neutral	88	3	264
Agree	35	2	70
Strongly Agree	21	1	21
Total	204		621
Total average			3.04
		$\frac{sum}{5}$	= 61%

This question is intended to assess the participant's awareness of the primary use of *waqf* in Islam, which is for graveyards, mosques, and madrasahs. Those who answered with "strongly agree" were assigned an awareness score of 1, indicating their awareness of this purpose. Conversely, those who answered with "strongly disagree" were assigned an awareness score of 5, indicating their lack of awareness regarding the primary use of *waqf* for graveyards, mosques, and madrasahs. The result is shown in Table 4.7, the table indicates that 21 respondents strongly agreed out of 204 who responded, with a total score given. The findings suggest that the respondents, on average, have an awareness score of 3.04, which corresponds to an aggregate average score of 61%. This indicates a neutral level of awareness among the respondents.

The neutral awareness level among Bangsamoro respondents can be traced to the limited use of the term '*waqf*' within the Bangsamoro region, despite its practice in the broader Muslim community. This lack of recognition results in a neutral level of awareness. It is vital to underscore the importance of *waqf* in Islamic teachings, its role in charitable trusts, and community development. Increasing awareness of *waqf* principles is essential for the advancement of Bangsamoro society.

Table 4.8: I Am Aware That Waqf Is Primarily Used For Graveyards, Mosques, And Madrasahs

	Frequency	Score	Total Score
Strongly Disagree	10	1	10
Disagree	12	2	24
Neutral	85	3	255
Agree	35	4	140
Strongly Agree	62	5	310
Total	204		739
Total average			3.62
			$\frac{sum}{5} = 72\%$

This question is intended to assess the participant's awareness of the primary use of *waqf* for graveyards, mosques, and madrasahs. Those who answered with "strongly disagree" were assigned an awareness score of 1, indicating their lack of awareness. Conversely, those who answered with "strongly agree" were assigned an awareness score of 5, indicating their awareness of this primary use of *waqf*. The result is shown in Table 4.8, the table indicates that 62 respondents strongly agreed out of 204 who responded, with a total score given. The findings suggest that the respondents, on average, have an awareness score of 3.62, which corresponds to an aggregate average score of 72%. This indicates a neutral level of awareness among the respondents.

The neutral level of awareness among the Bangsamoro community regarding *waqf* may be attributed to limited exposure and cultural/regional differences. Variations in *waqf* understanding across different regions and cultures could contribute to this complexity. Additionally, the significance of *waqf* awareness may be neutral among the Bangsamoro people, particularly in areas where Islamic practices are not widely known.

Table 4.9: I Am Aware of How Waqf Helps To Alleviate Poverty

	Frequency	Score	Total Score
Strongly Disagree	9	1	9
Disagree	16	2	32
Neutral	83	3	249
Agree	39	4	156
Strongly Agree	57	5	285
Total	204		731
Total average			3.58
		$\frac{sum}{5}$	= 72%

This question is intended to assess the participant's awareness of how *waqf* plays a role in alleviating poverty in Mindanao, Philippines. Those who answered with "strongly disagree" were assigned an awareness score of 1, indicating their lack of awareness. Conversely, those who answered with "strongly agree" were assigned an awareness score of 5, indicating their awareness of how *waqf* helps alleviate poverty. The result is shown in Table 4.9, the table indicates that 57 respondents strongly agreed out of 204 who responded, with a total score given. The findings suggest that the respondents, on average, have an awareness score of 3.58, which corresponds to an aggregate average score of 72%. This indicates a neutral level of awareness among the respondents.

The neutral level of awareness among the Bangsamoro community regarding *waqf* may be due to a lack of societal understanding and support for *waqf* practices as a means of financing. There may be a perception that *waqf* is exclusively permitted to be used for purposes related to religion and, not for providing financial assistance. This limited understanding may contribute to the neutral extent of awareness within the Bangsamoro community.

Table 4.10: The Overall Score of The Awareness of Waqf

	<i>AVERAGE RESULT</i>
Question 1	3.52
Question 2	3.04
Question 3	3.62
Question 4	3.58
Sum=	<u>13.76</u>
<i>The total number of questions under consideration</i>	$\frac{\text{sum}}{4} = \underline{\underline{3.44}}$

Hypothesis 3 The level of awareness of the people of Bangsamoro in Mindanao, the Philippines about waqf is low.

Contrary to initial expectations, the analysis of hypothesis 3 reveals a surprising finding. As shown in Table 4.10, the overall score of 3.44 indicates a high awareness level within the Bangsamoro community regarding *waqf* in Mindanao, Philippines. This result contradicts the initial expectation of low awareness among the Bangsamoro community.

The overall awareness level of the Bangsamoro people in Mindanao, Philippines regarding *waqf* falls within the category length of 3.40-4.19 on a defined scale. This represents a percentage range of more than 68% to 84% in terms of awareness. Based on these quantifications, the respondents demonstrate a high level of awareness about *waqf*.

4.3.2 Assessing The Awareness of The Respondents About Islamic Microfinancing

Table 4.11: I Am Informed That Islamic Microfinance Exists

	Frequency	Score	Total Score
Strongly Disagree	10	1	10
Disagree	28	2	56
Neutral	75	3	225
Agree	33	4	132
Strongly Agree	58	5	290
Total	204		713
Total average			3.50
			$\frac{sum}{5} = 70\%$

This question is intended to assess the participant's awareness of the Islamic microfinance institution in Mindanao, Philippines. Those who answered with "strongly disagree" were assigned an awareness score of 1, indicating their lack of awareness about the institution. Conversely, those who answered with "strongly agree" were assigned an awareness score of 5, reflecting their existing knowledge of the existence of Islamic microfinance institutions. The result is shown in Table 4.11, the table indicates that 58 respondents strongly agreed out of 204 who responded, with a total score given. The findings suggest that the respondents have an average awareness score of 3.50, which corresponds to an aggregate average score of 70%, this indicates a neutral level of awareness among the respondents.

The neutral degree of awareness within the Bangsamoro community in Mindanao, Philippines regarding Islamic microfinance may be attributed to limited knowledge of the concept, lack of integration into the community, and insufficient publicity. Consequently, for example, those people who already engage in conventional financing may not have enough knowledge of the concept of Islamic microfinancing.

Table 4.12: I Don't Know The Purpose of Islamic Micro-financing

	Frequency	Score	Total Score
Strongly Disagree	25	5	125
Disagree	33	4	132
Neutral	96	3	288
Agree	34	2	68
Strongly Agree	16	1	16
Total	204		629
Total average			3.08
			$\frac{sum}{5} = 62\%$

This question is intended to assess the participant's recognition of their lack of awareness regarding Islamic micro-financing. Consequently, those who answered with "strongly disagree" were assigned an awareness score of 5, indicating their existing knowledge of Islamic micro-financing. Conversely, those who answered "strongly agree" were given an awareness score of 1, reflecting awareness regarding Islamic micro-financing. The result is shown in Table 4.12, the table indicates that 25 respondents strongly disagreed out of 204 who responded, with a total score given. The findings suggest that the respondents, on average, have an awareness level of 3.08, which corresponds to an aggregate average score of 62%. This indicates a neutral level of awareness among the participants.

The neutral or limited awareness of Islamic microfinance among the Bangsamoro people in Mindanao, Philippines, hinders its potential impact on economic growth and quality of life. This signifies the need for more concerted efforts to raise awareness and promote the accessibility of *Shari'ah*-compliant financial services in the region.

Table 4.13: I Know Islamic Microfinance Does Not Deal With Interest

	Frequency	Score	Total Score
Strongly Disagree	7	1	7
Disagree	24	2	48
Neutral	76	3	288
Agree	48	4	192
Strongly Agree	49	5	245
Total	204		720
Total average			3.53
			$\frac{sum}{5} = 71\%$

This question is intended to assess whether the participants are aware that Islamic microfinance does not involve interest. Those who answered "strongly agree" were assigned an awareness score of 5, indicating their existing knowledge of this fact. Conversely, those who answered "strongly disagree" were given an awareness score of 1, indicating their lack of awareness regarding the absence of interest in Islamic microfinance. The result is shown in Table 4.13, the table indicates that 49 respondents strongly disagreed out of 204 who responded, with a total score given. The findings suggest that the respondents, on average, have an awareness score of 3.53, corresponding to an aggregate average score of 71%, This indicates a neutral level of awareness among the respondents.

The neutral degree of awareness within the Bangsamoro community in Mindanao, Philippines, can be attributed to the fact that conventional microfinance services, which they are already familiar with, involve interest-based transactions. This may lead to a lack of awareness regarding the alternative financing options provided by Islamic microfinance, which avoids interest-based lending. Islamic microfinance focuses on community development, ethical investing, and social responsibility, but the overall awareness remains neutral among the Bangsamoro community.

Table 4.11: The Overall Score of The Awareness of Islamic Microfinance

	<i>AVERAGE RESULT</i>
Question 1	3.50
Question 2	3.08
Question 3	3.53

Sum= 10.11

The total number of questions under consideration $\frac{\text{sum}}{3} = \underline{\underline{3.37}}$

Hypothesis 4. The level of awareness of the people of Bangsamoro in Mindanao, the Philippines about Islamic microfinance is low.

Hypothesis 4 predicts low awareness of Islamic microfinance among the Bangsamoro people in Mindanao, Philippines for poverty alleviation. However, the analysis in Table 4.14 reveals a medium level of awareness with an overall score of 3.37. This finding is surprising as initial expectations were low awareness among the Bangsamoro people.

The overall awareness rate of Islamic microfinance among the Bangsamoro people in Mindanao, Philippines falls within the range of 2.60-3.39 on a defined scale. This corresponds to a percentage range of more than 52% to 68%. Based on these quantifications, the respondents demonstrate a medium or moderate level of awareness about Islamic microfinance.

4.4 A Summary of The Finding

This chapter examines the level of awareness surrounding *waqf* (an Islamic endowment of money or property) and Islamic microfinance within the Bangsamoro community in Mindanao, Philippines, in the context of poverty alleviation. The findings reveal that awareness of *waqf* within this community is high, signifying a comprehensive understanding and utilization of *waqf* for social welfare purposes. In contrast, the awareness level of Islamic microfinance, another poverty alleviation tool, is classified as moderate, indicating that it is not as widely comprehended or adopted. The research advocates for further investigation into the factors contributing to these varying degrees of awareness and ways to capitalize on this knowledge to enhance *waqf* and Islamic microfinance initiatives in the future. There seems to be a lapse in understanding regarding Islamic microfinance in the wider country beyond the Bangsamoro people.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter explores the study's findings and offers crucial insights and conclusions supported by empirical evidence. While preparing for the completion of this thesis, a researcher wrote this with genuine intention. The researcher then came to this conclusion. While considering potential directions for future work, the research limitations are acknowledged. Additionally, recommendations based on solid research are made to strengthen the awareness contribution of *waqf* and Islamic microfinance for poverty alleviation in the Mindanao region. These suggestions place a higher priority on ethical issues, inclusion, and sustainability.

5.2 Summary of Thesis

This thesis investigates the level of knowledge of *waqf* a type of Islamic endowment, and Islamic microfinance as instruments for poverty alleviation in Mindanao, Philippines. The research used a quantitative method to collect information from 204 respondents who are part of the local Mindanao population in the Philippines. The results show that within the target demographic, there is a high degree of awareness about *waqf* but a low to medium level of understanding of Islamic microfinance among the Bangsamoro people in Mindanao, Philippines.

5.3 Limitations of the Study

The thesis limitations include a small sample size that might not accurately represent the broader Bangsamoro community, potentially impacting the generalizability of the findings on the awareness of *waqf* and Islamic microfinance. Equally restrictive is the geographic limitation, as the study only incorporated participants from specific areas, limiting the widespread applicability of the results. Additionally, the research failed to determine the depth of the participants' understanding of Islamic microfinance and *waqf*, indicating that perceived awareness may not correspond to a comprehensive comprehension or capacity to apply these systems.

To garner a more all-encompassing insight into the awareness and practices relating to *waqf* and Islamic microfinance in the Bangsamoro community, these aspects need attention in future studies.

5.4 The Results' Conclusions

In conclusion, this thesis sheds light on the disparity in awareness and understanding of *waqf* and Islamic microfinance within the Bangsamoro community in Mindanao, Philippines, as tools for poverty alleviation. The findings indicate that while *waqf* is well-recognized and embraced as a means of social welfare, Islamic microfinance remains less known and utilized. This discrepancy in awareness may be attributed to various factors, including cultural, educational, and regional influences. The study underscores the need for targeted efforts to bridge this knowledge gap, particularly concerning Islamic microfinance. While *waqf* holds a strong position within the Bangsamoro community, there is an apparent lack of understanding of Islamic microfinance beyond this group, suggesting the potential for broader outreach and education. To harness the full potential of both *waqf* and Islamic microfinance as effective poverty alleviation tools, further investigation and awareness campaigns should be conducted, not only within the Bangsamoro community but also on a national scale. Rectifying this knowledge gap and advocating for the utilization of these financial tools can empower communities, enhance social welfare, and make substantial contributions to poverty alleviation in Mindanao and throughout the Philippines. Furthermore, this research can serve as an initial step for policymakers and practitioners to formulate strategies that can optimize the advantages of *waqf* and Islamic microfinance for the wider society.

5.5 The Study's Applications in Practice

This research carried out in Mindanao, Philippines, presents valuable empirical insights into the understanding and acceptance of *waqf* and Islamic microfinance within a significant Muslim demographic. Despite the high awareness of *waqf*, the study found a comparatively moderate level of awareness of Islamic microfinance. This discrepancy in awareness levels suggests that there is space for further education

and promotion of Islamic microfinance as an equally important avenue for Islamic-based financial services.

These findings offer new perspectives on poverty alleviation strategies for nations that house substantial Muslim communities, specifically in the context of the Philippines. By better understanding the mechanisms of *waqf* and utilizing Islamic microfinance more effectively, it's possible to design more tailored and culturally sensitive economic models to combat poverty, thus enriching the existing body of research in these fields. Particularly, it emphasizes the potential role of Islamic financial concepts in social and economic development policies. Moving forward, it strongly justifies the need for further studies to explore the factors that may impact the population's awareness, acceptance, and utilization of these concepts. This thesis ultimately makes a significant contribution to the current understanding of the intersectionality between religion, financial practices, and poverty alleviation efforts in Muslim-majority contexts.

In essence, this thesis could redirect focus and funds towards enhancing outreach programs and financial literacy about Islamic microfinance, determining a potentially significant feature for poverty alleviation roadmaps. The broader adoption of *waqf*, backed by its widespread recognition, can also lead to substantial community betterment, hence pushing towards a more resilient and self-sustaining socio-economic structure in the Bangsamoro region.

5.6 Future Research Recommendations and Ideas

The findings suggested diverse approaches to elevate the awareness of Islamic Microfinance and foster its development for enhanced poverty eradication in the Bangsamoro region. Expanding education and awareness through various initiatives, such as educational campaigns and tailored curricula, and partnering with local entities, is pivotal. Establishing additional Microfinance Institutions (MFIs) offering Islamic microfinance will amplify its reach and utility, potentially serving as a substantial tool for socio-economic advancement. Innovating Islamic microfinance products by integrating the widely understood principles of *waqf* can also offer a potential tool for economic upliftment.

Simultaneously, fostering policies that promote Islamic microfinance's growth and shaping an accommodating legal framework can significantly bolster its establishment.

Leveraging the well-understood tool of *waqf* can be wealthy regarding poverty alleviation, considering its extensible, monetizable attributes that can be effectively integrated into microfinance. Essential too, is the capacity building for those involved in Islamic Microfinance's management and implementation, calling for in-depth training and knowledge sharing.

Additionally, continuous research can uncover fresh insights into the challenges and prospects of Islamic microfinance in the region, further refining poverty alleviation strategies. Overall, these recommendations aim to optimize the *waqf* and Islamic microfinance benefits in the culturally rich context of Bangsamoro, playing on the existing awareness of *waqf*, and thereby yielding comprehensive poverty alleviation solutions in the country.

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APPENDIX

Seksyon A: Demograpikong Impormasyon

Ang layunin ng seksyong ito ay upang tipunin ang profile ng respondent.

Mangyaring bilugan ang naaangkop na mga pagpipilian sa mga seksyon (A.1-5)

A1. Kasarian

- 1= Lalaki
- 2= Babae

A2. Edad

- 1= 15-29
- 2= 30-44
- 3= 45-59
- 4= 60-64
- 5= 65 pataas

A3. Katayuan sa Pag-aasawa

- 1= Walang asawa
- 2= May asawa
- 3= Balo
- 4= Diborsiyado
- 5= Nag-iisang Magulang

A4. Laki ng pamilya

- 1= sa ibaba 5
- 2= 5-7
- 3= 8-10
- 4= Higit sa 10

A5. Lebel ng edukasyon

- 1= Impormal na edukasyon (Tahanan NGO Lokal na Komunidad)
- 2= Mga Paaralan/Madrassa ng Islam
- 3= Primary school
- 4= 1 Diploma/Kolehiyo

SEKSYON B: Kamalayan sa Islamic microfinance (IsMF), at Waqf

Panuto: Pakilagyan ng tsek () ang kahon upang ipahiwatig kung gaano ka kaayon sa mga sumusunod na pahayag sa isang iskala. 1-Lubos na Hindi Sumasang-ayon, 2-Hindi Sumasang-ayon, 3-Neutral, 4-Sumasang-ayon, at 5-Lubos na Sumasang-ayon.

1. Kamalayan sa Islamic Microfinance						
1.1	Alam ko ang pagkakaroon ng Islamic Microfinance	1	2	3	4	5
1.2	Hindi ko alam ang layunin ng Islamic micro-financing	1	2	3	4	5
1.3	Alam kong ang Islamic microfinance ay hindi nakikitungo sa interes	1	2	3	4	5
2. Kamalayan sa waqf						
2.1	Batid ko ang pagkakaroon ng institusyon ng waqf.	1	2	3	4	5
2.2	Hindi ko alam ang layunin ng Waqf sa Islam.	1	2	3	4	5
2.3	Alam kong pangunahing ginagamit ang Waqf para sa mga sementeryo, mosque, at madrasah.	1	2	3	4	5
2.4	Alam ko ang papel ng Waqf sa pag-alis ng kahirapan.	1	2	3	4	5

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CONFERENCE PRESENTATIONS

Three conference papers were presented at prominent events, including The 6th Islamic Finance Conference (IFC 2020) hosted online by Effat University in Dubai. Additionally, presentations were made at The 1st International Conference on Islamic Economics 2022 (ICONIE 2022: 006-007), held virtually on 30th – 31st March 2022 in Malaysia, and at the IZU Congress-2023 in Istanbul.

CONFERENCE AWARD

4rt session Best Presentation Award his/her presentation entitled

“Assessing The Awareness of Waqf of The People of Bangsamoro in The Philippines”

Which was presented at 1ST INTERNATIONAL CONFERENCE ON ISLAMIC ECONOMICS.