

**ISTANBUL SABAHATTIN ZAIM UNIVERSITY  
GRADUATE EDUCATION INSTITUTE  
DEPARTMENT OF ISLAMIC ECONOMICS AND FINANCE**

**THE ECONOMICS OF AWQĀF IN TÜRKiYE**

**Ph.D. DISSERTATION**

**Ozan MARAŐLI**

**Istanbul  
June, 2022**

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## **DECLARATION OF SCIENTIFIC ETHICS AND ORIGINALITY**

This is to certify that this PhD dissertation titled “The Economics of Awqāf in Türkiye” 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 of Istanbul 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.



Ozan MARAŞLI

June, 2022

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In the name of Allah, The Most Gracious, The Most Merciful.

All the praises only belong to Allah the Almighty, Who created us, bestowed us everything that we have, and taught us everything that we know, as He is the Sole Owner of everything, to Him shall we return.

All the peace and blessings are upon our beloved Prophet Muhammad ﷺ, who is the latest of the Prophets, the most honorable of the Messengers and the best of the creatures who was sent as a blessing to the universes.

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## ABSTRACT

### THE ECONOMICS OF AWQĀF IN TÜRKİYE

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Awqāf, which have an exceptional place in Islamic civilization since the noble time of the Prophet (SAW) until today, have played an important role in financing public services in religion, education, health, municipal and other public service areas in Islamic societies. Awqāf, which represent the institutionalized form of perpetual charity (*sadaqah jāriyah*), which are made for the sake of Allah Ta'ālā, have played an important intermediary role in the resource allocation, consumption, redistribution and investment in an Islamic economy. They also contributed to welfare of the poor and amelioration of income distribution in favor of the poor. Awqāf, after reached their peak in Islamic history in terms of prevalence and institutionalization especially in the Ottoman period, had taken a new turn with the establishment of the Republic of Türkiye. In the literature, their adventure in this new period has not been adequately investigated in an economic sense. Therefore, there is not enough research to enable us to have an understanding of the extent to which awqāf have performed today their functions that they played throughout the Islamic history. In this respect, determining the role that awqāf play in the Turkish economy is important in terms of understanding the current state, identifying problems and enabling awqāf to fulfill their aforementioned functions.

The economic functions of awqāf in Türkiye currently focus on areas such as higher education, research and development (R&D), defense industry and social work. Within the scope of the study, the awqāf sector includes five sub-components: fused (*mazbût*) and annexed (*mülhak*) awqāf, new awqāf (together with their companies), minority awqāf, *irsādī* awqāf and waqf universities. In order to determine the economic role of these foundations, we employed a computable general equilibrium model based on a social accounting matrix reflecting the economic dynamics of the Turkish economy in

2018. In this context, it is aimed to reveal the role of awqāf in the Turkish economy by determining the impact of awqāf on macroeconomic variables such as poverty, income inequality, household welfare, production, GDP, tax burden, and budget deficit. Then, the findings are evaluated on the basis of the fundamental principles presented by the Islamic law of waqf and to discuss where the awqāf in Türkiye stand in this respect.

**Keywords:** Waqf, Awqāf, Economic Role of Waqf, Economics of Awqāf, Islamic Economics, Islamic Law of Waqf, Poverty, Income Inequality, Computable General Equilibrium Model, Social Accounting Matrix, Awqāf in Türkiye, Turkish Economy.



## ÖZET

### TÜRKİYE'DE VAKIFLARIN EKONOMİSİ

Ozan MARAŞLI

Doktora Tezi, İslam İktisadı ve Finansı

Danışman: Prof. Dr. Monzer KAHF

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Hz. Resûl-i Ekrem Efendimiz (SAV) döneminden günümüze dek İslâm medeniyeti içerisinde müstesna bir yere sahip olan vakıflar tarih boyunca İslâm toplumlarında din, eğitim, sağlık, bayındırlık ve sosyal alanlardaki kamu hizmetlerinin finansmanını gerçekleştirmede önemli bir rol oynamıştır. Allah Teâlâ'nın rızasını kazanmak adına yapılan sadaka-i câriyelerin iktisadî anlamda adeta üçüncü bir sektör olarak kurumsallaşmış halini temsil eden vakıflar, İslâmî bir ekonomide fakirlik; gelir adaleti, kaynak tahsisatı, tüketim, yeniden dağılım ve yatırımların gerçekleştirilmesinde önemli bir aracı rolü üstlenmiştir. Özellikle Osmanlı devletinde, yaygınlık ve kurumsallaşma açısından İslâm tarihindeki zirvesine erişen vakıfların Türkiye Cumhuriyeti'ndeki serüveninin geçmişe kıyasla iktisadî açıdan nasıl bir noktada bulunduğu net olarak tespit edilememiştir. Dolayısıyla, günümüzde vakıfların İslâm tarihi boyunca gördüğü işlevleri ne ölçüde ifa ettiklerinin anlaşılabilmesine olanak sağlayacak yeteri kadar araştırma bulunmamaktadır. Bu açıdan, vakıfların Türkiye ekonomisinde oynadığı rolün tespit edilmesi mevcut durumun anlaşılması, sorunların belirlenmesi ve vakıfların söz konusu işlevlerini yerine getirmesine imkân sağlayabilmesi açısından önem arz etmektedir.

Türkiye'deki vakıfların iktisadi işlevleri güncel durumda yükseköğretim, araştırma-geliştirme, savunma sanayi ve sosyal hizmet gibi alanlar üzerine yoğunlaşmaktadır. Çalışma kapsamında vakıf sektörü; mazbût-mülhak vakıflar, yeni vakıflar (vakıf şirketleri ile birlikte), cemaat vakıfları, irsâdî vakıflar ve vakıf üniversiteleri olmak üzere beş alt bileşeni kapsamaktadır. Vakıfların iktisadi rolünü tespit etmek için ilk olarak 2018 yılı Türkiye ekonomisinin iktisadi dinamiklerini yansıtan bir Sosyal Hesaplar Matrisi ve ona uyumlu bir Hesaplanabilir Genel Denge modelinin kullanılmıştır. Bu çerçevede vakıfların fakirlik, gelir adaletsizliği, hanehalkı refahı, üretim, gayrisafi yurtiçi hasıla, vergi yükü

ve bütçe açığı gibi makroekonomik değişkenler üzerindeki etkisinin tespit edilmesi yoluyla Türkiye ekonomisindeki rollerinin ortaya konulmaya çalışılmıştır. Ardından elde edilen bulguların İslâm vakıf hukukunun bu minvalde sunduğu temel ilkeler üzerinden değerlendirilmesi ve Türkiye’deki vakıfların bu açıdan nerede durduğu tartışılmıştır.

**Anahtar kelimeler:** Vakıf, Vakıfların Ekonomisi, Vakfın İktisadi Rolü, İslam İktisadı, İslâm Vakıf Hukuku, Fakirlik, Gelir Adaletsizliği, Hesaplanabilir Genel Denge Modeli, Sosyal Hesaplar Matrisi, Türkiye’de Vakıflar, Türkiye Ekonomisi.



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## ABBREVIATIONS

CGE: Computable General Equilibrium

DGF: Directorate General of Foundations

GAMS: General Algebraic Modeling System (computer software)

RA: Radhiya Allahu ‘Anhu (may Allah be Pleased with him)

R&D: Research and Development

SAM: Social Accounting Matrix

SAW: Sall Allahu ‘AlayHi Wa Sallam (peace and blessings upon Him)

SNA: Standard of National Accounts

TurkStat: Turkish Statistical Institution

TSKGV: Turkish Armed Forces Foundation

UN: United Nations

# CHAPTER 1

## INTRODUCTION

Allah the Almighty stated that:

*“...And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah, indeed Allah is severe in penalty.”.*

(al Mā'idah, 5/2)

Rasūlullah (SAW) stated that:

*“When a child of Adam dies, his deeds come to an end except for three things: Sadaqah Jāriyah (continuous charity); a beneficial knowledge, or a virtuous descendant who prays for him” (Sahīh Muslim, 1631).*

The meaning, which the noble hadith of *“incumbent upon you is the vast majority of the Muslims ('alaikum bi as sawād al a'zām<sup>1</sup>)”* denotes, although the journey of human beings towards the objective of perfection can be explained with different theories as a result of their social states, that the effective cause (*'illah*) of human civilization is almost subjected to the sense of cooperation (*ta'āwun*). From the angle that there are differences in the creation of human beings in terms of their intellectual and physical specialties, they are categorized into powerful and weak. The emergence of the sense of appealing to help in the weak and of protection in the powerful had gradually led to the civilized and political human societies, therefore the most significant factor of the civilization has been accepted as the principle of the wisdom of cooperation...The formal manifestation of the cooperation among humans cannot be confined to the exchange (*mubādalah*) of the values. Though, in lexical terms, the exchange is the first pillar of the principle of cooperation. Insofar, since the exchange requires a balance between two values, one should be convinced for the possibility of balance in the efforts spent by the people — who are different from each other in terms of the power and weakness in their creation. However, since this would mean to forget the factors that trigger the sense of cooperation, it would be required to accept a second form of the

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<sup>1</sup> Ibn Majah, Kitāb al Fitan, 8.

manifestation of cooperation. And this manifestation is the will of the powerful to make sacrifice for the weak. In terms of the social classes, the first option, which is the principle of exchange, serves to connect the ones who take place within the same class to each other, whereas the second option connects the ones that belong to different classes. The ones who follow Darwinism as a social philosophy go towards the destruction of the weak as a result of the class struggles, by interpreting the objective of civilization in favor of the interests of the powerful, as this means that they accepted the principle of cooperation in the form of first option. However, such a philosophy attempted to remove the good characters—that human beings are endowed with such as mercy, brotherhood, generosity—from the book of nature (tabī’ah). (Such a philosophy) also committed to unbind the ties through which the society are connected to each other, as this would result in the extinction of the human beings. Although the applications of this philosophy might be apparent in the political sphere, it cannot take place in the sphere of civilization... Since the personal greed makes people tend to abstain from the goodness and righteousness, and the means towards the second option are immensely hidden in the nature, it is required to seek the guidance that can provide the adoption of the second option in the true religion... Islam, which teaches the means to the salvation through the glorious commandment of “*Indeed, mankind is in loss, except for those who have believed and done righteous deeds and advised each other to truth and advised each other to patience*” (al ‘Asr, 103/2-3), shows that the happiness and salvation of the human beings are in the purification of the heart and conscience, love and subjection towards the truth, and personal initiative. However, it does not allow to use this personal initiative in the way of satisfaction of their greed, instead it ordains to go towards the realization of morals and good conduct through the noble injunction of “*And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah, indeed Allah is severe in penalty*” (al Mā’idah, 5/2). As it further strengthens the extent of the righteousness (*birr*) by the glorious Revelation of “*Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the Angels, the Book, and the Prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveler, those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives zakāh; [those who] fulfill their promise when they promise; and [those who] are patient in poverty and hardship and during battle. Those are the ones who have been true, and it is those who are the righteous*” (al Baqarah, 2/177). Like so, containing various principles as such, ... one of the principles of civilization that the Sharī’ah—which raises the societies who follow its guidance by appreciating its (indispensable) value—recognizes as a form of cooperation based on the righteousness and goodness is the awqāf (Elmalılı, 2020, pp. 57-61).

As Elmalılı Muhammed Hamdi, who is a faqīh and mufassir lived in the late Ottoman period, indicates in the introduction of his book on the rulings of awqāf (*ahkām al awqāf*) as such, the waqf carries a delicate meaning much more than an “economic” institution can have. It carries such a broad meaning since it includes the meaning of

*qurbah* —closeness to Allah Ta’ālā— at the first place. It is a kind of worship (*‘ibādah*) that is endowed on perpetual basis to serve the poor and any other permissible objectives through which the book of deed of its founder will remain open until the waqf perishes.

On the other hand, since it is an act of charity that is based on production of an economic value to be spent in a charitable objective, it has important links with the economy. It increases the production capacity of an economy through which the general welfare of the society increases with a special emphasis on the welfare of the poor. In that sense, it does have links with the poverty and income distribution. It also provides a wide range of public services at no cost to government, which would have an ameliorating effect on budget deficit, tax burden and enlighten the burden of government in that sense. Notwithstanding it has strong links with production, consumption, and distribution, all these relationships are constructed on the basis of charity and piety. Hence, instead of being an institution that aims to achieve economic progress, it is a gentle form of worship (*‘ibādah*) through which its founder aims at the Pleasure of Allah Ta’ālā. Then, from here, one can reach the conclusion that the waqf is not an economic institution, instead it is the institutionalized form of goodness and piety, as well the righteousness and charity, as all these characteristics have economic extensions that influence the dynamics of an economy. Consequently, in order to investigate the role of awqāf in an economy, one should establish strong connections between the economic variables and the higher objectives that these variables serve, as the former is ought to be analyzed for the sake of the latter.

Awqāf have been one of the most important charitable institutions in Muslim societies throughout the centuries, as they have been a physical and intergenerational expression of institutionalization of philanthropy and righteousness through forming a societal and charity infrastructure. It is based on civic initiative and administration, whereas it is a public but non-governmental institution. It has played a vital role in provision of the public services including education, health, and municipal as well as many kinds of social services. In that sense, it can be said that the “privately accumulated capital is voluntarily endowed to finance public services” (Çizakça, 2000, p. 2). In accordance with the extent to which the objectives of awqāf range, a waqf might have been endowed to teach the science of hadith in Damascus, or to support the widows and orphans in al Madīnah al Munawwarah, or to sustain a masjid in Rabat, or as a soup

kitchen in al Quds, or in a form of hospital in Baghdad, or as a caravanserai in Konya in which all the passengers have a right to accommodate and eat for three days, or in the form of a cemetery in Sana'a, or for the public water supply in Sarajevo, or to treat the migratory storks in İstanbul, or to preserve and strengthen the bonds of a family throughout the generations in Cairo, whose revenues after the death of the last family member were assigned to the poor and needy of al Makkah al Mukarramah.

### 1.1. Research Problem and Questions

As one of the historical peaks that the awqāf sector reaches throughout the history, Ottoman Empire had been notable for its large and powerful awqāf sector for centuries, which had been capable to satisfy various needs of people from the cradle to the grave. In that sense, probably the Ottoman era represented a peak for the institution of waqf in terms of how an institution established by our beloved Prophet Himself ﷺ, was able to transform to an economic sector that intensely contributed to social welfare. In order to express the economic size of awqāf in Ottoman era, it is worth mention that at the turn of the twentieth century, about one third of lands within the borders of Türkiye was awqāf (Armağan, 1989 as cited in Kahf, 1995). In addition, in Ottoman territories, in each administrative unit called as *sancak*, there were about 1000 awqāf, as the budgets of the Ottoman awqāf had reached roughly one third of the budget of the Ottoman state (Yediyıldız, 2012, p.484).

The journey of awqāf in Türkiye had taken a new turn with the establishment of the Republic of Türkiye. After the mid of 19<sup>th</sup> century, centralization and modernization efforts gradually made waqf—an institution that had provided various kinds of public services in the past— confined to provide some specific public services in a very limited sense. However, after the proclamation of the republic, the oppressions and injustices against the awqāf began to accelerate, as many of the waqf assets were being seized by the government and even were sold, as a reflection of renouncing the Ottoman inheritance. After the abolishment of *Evkâf Nezâreti* (Ministry of Awqāf) in Ottoman era and *Şer'iyeye ve Evkâf Vekâleti* (Ministry of Shariah Affairs and Awqāf) in the first years of Turkish Republic, the Directorate General of Foundations (DGF) was established to administrate the operations of awqāf that were endowed in Ottoman and even in Seljukian era. The status of “*vakıf*” became “*tesis*” (facility) to decontextualize the awqāf from their Islamic basis as a result of the harsh secularist

policies of the government. In 1967 and 2008, a new waqf laws were promulgated and they contribute to the recovery of the Turkish waqf system. However, in the literature, the adventure of awqāf in this new period has not been adequately investigated in an economics point of view. Therefore, this study humbly attempts to contribute to that field and seeks answer to the following questions:

- i. To what extent the awqāf performed today in Türkiye the functions that they performed throughout the Islamic history?
- ii. What is the difference between awqāf and government in provision of the public goods and through which channels do these differences reflect on the Turkish economy?
- iii. Since the awqāf is mostly for the poor and needy, do Turkish awqāf really alleviate poverty or ameliorate the inequitable distribution of income that damages the poor?
- iv. Through which channels do the awqāf have an impact on the welfare of the society?
- v. Do awqāf only influence the dynamics of distribution, or do they also affect the production in practice?
- vi. Can awqāf be treated as nonprofits in economics point of view? What are the differences between awqāf and nonprofits in provision of the public goods?

In this respect, determining the role that awqāf play in the Turkish economy is important in terms of answering these questions as well as understanding the current state, identifying problems and help awqāf to fulfill their higher objectives.

## **1.2. Research Methods**

To answer these questions, this study employs a computable general equilibrium model. Computable General Equilibrium (CGE) modelling is based on a neo-classical theory, in which the simultaneous interaction of economic behaviors of different agents are analyzed.

In general, the theoretical foundations of the model have been associated with Walrasian equilibrium and Arrow-Debreu model. Walrasian equilibrium represents a vector of prices and quantities of goods for each economic agent such that

consumption of every agent maximizes his utility for given prices and total demand for each commodity equals the aggregate endowment — that means market clears (Levin, 2006, p. 4).

However, some CGE models do not conform to the foundations of neo-classical general equilibrium theory, as they also allow for imperfect competition and non-market clearing conditions. In addition, CGE is a kind of economic model that use actual economic data to estimate how an economy might react to certain policy changes. In that sense, these models are not based on ceteris-paribus assumption; rather they leave a room for interaction of all economic variables through direct and indirect channels. It uses the social accounting matrices (SAM) as data input, which represents flows —derived from input-output tables— of all economic transactions which take place within an economy in terms of different economic agents and sectors. In that sense, this study employs a CGE model, which conducts the impact-analysis of awqāf on Turkish economy.

### **1.3. The Design of the Dissertation**

The dissertation consists of five chapters, excluding the introduction and conclusion. Firstly, we attempted to explain the Sharī'ah aspects of waqf in brief in terms of its definition, historical development of the concept, its legality in Sharī'ah through the evidences in the Glorious Qur'ān and the Noble Sunnah, types of waqf, as well as the pillars and the conditions of waqf in fiqh. In general, the views of Hanafi School are adopted, as we also try to benefit from other schools of fiqh in certain sections.

In the third chapter, we discussed the economic role of waqf on theoretical basis through referring to certain principles of classical Islamic law of waqf that would have economic reflections and the contemporary theoretical discussions that attempted to frame the economic effects of waqf. In addition, we tried to point out the possible differences of awqāf, government and nonprofits in provision of the public goods and services theoretically.

In the fourth chapter, after a brief historical overview of awqāf starting from Ottoman era to today, the constituents of awqāf sector in Türkiye are discussed with reference to their revenues, expenditures, and selected statistics in a descriptive sense. We also attempted to discuss the “return on asset impact” in Türkiye that is the impact of awqāf,

which is stemming from their factor incomes such as rental income, incomes from companies and commercial enterprises excluding the donations, membership fees and government subsidies that are not within the scope of real source of waqf income.

In the fifth chapter, we constructed our dataset for the analysis that has a specific name and format, which express the macroeconomic balance at the end of the 2018. This specific representation of the data is called as social accounting matrix (SAM). The SAM involves the accounts that are relevant to the balance of commodity and activity accounts, balance of factor accounts, balance of institution accounts, balance of foreign trade accounts and balance of capital accounts.

In the sixth chapter we discussed the model and its specifications, together with the value of knowledge that they produce. Then, we reported the findings and discuss them in terms of the direction of their possible impact. In addition, we employed various scenarios, which are then compared to the benchmark scenario that is if the awqāf are abolished in Türkiye. The first scenario related to the current and overall impact of awqāf in Turkish economy, whereas the second one concentrates on the situation in which the poor and needy become the primary focus of awqāf. The third scenario is the measurement of “return on asset impact”. Then, another scenario was employed in order to show the possible differences of the awqāf and the government in economics point of view that is the awqāf are abolished however the government continues to provide the awqāf services through financing them by the state.

Consequently, this dissertation is a humble effort to investigate the economic role of awqāf in contemporary Türkiye, within an understanding that do not treat awqāf as economic subjects, because of the delicate meaning that they carry and higher objectives that they serve.

## CHAPTER 2

### SHARĪ'AH ASPECTS OF WAQF

This chapter deals with the definition, legality, pillars, and conditions of *waqf* in fiqh within a humble and brief framework. Since rulings of *waqf* (*ahkām al awqāf*) constitute an independent field of study in fiqh —that have become a wide-ranging literature considering its issues, principles and maxims (Zarqā, 1997, p. 5)— the Sharī'ah aspects of *waqf* are addressed with regard to its essential points that are relevant to following chapters of the dissertation. In that regard, the rulings of *awqāf* are mentioned mostly referring to the Hanafī school. Before introducing them, it is useful to briefly mention the definition of *waqf*, the historical development of the concept, and *ahkām al awqāf* as a branch of knowledge in order to have a good grasp of the subject.

#### 2.1. Definition of Waqf

*Waqf* is an Arabic word coming from the lexical root (و-ق-ف). For lexical definition of *waqf*, there is a wide range of meanings that include “ivory bracelet” (al Isfahānī, 2009, p. 881; al Zabīdī, 1987, v. 24, p. 467), “gearwheel”, “standing” (al Zabīdī, 1987, v. 24, p. 468), “stoppage” (al Isfahānī, 2009, p. 881; az Zabīdī, 1987, v. 24, p. 468), “suspension” (al Mashīqh, 2013, v.1, p. 52), “detention/confinement” (al Jurjānī, 2004, p. 212; al Tahānawī, 1996, p. 1802), “prevention/prohibition” (al Tahānawī, 1996, p. 1802), “giving to charity” (al Isfahānī, 2009, p. 881), “having a grasp of” (az Zabīdī, 1987, v. 24, p. 469) and “dedication/devotion” (al Zabīdī, 1987, v. 24, p. 469). In al-Qur’ān al-Karīm, Allah Ta’ālā states:

﴿وَقِفُّهُمْ إِنَّهُمْ مَسْئُولُونَ﴾

“And stop them, for they must be questioned” (al Sāffāt, 37/24), as in this Holy Verse it comes in the verbal form that means “to stop” or “to detain” (al Isfahānī, 2009, p. 881). When it is used as an absolute phrase, the word *waqf* implies the meaning of *mawqūf* —i.e. lexically detained, technically the subject-matter of *waqf* — in compliance with a rule in Arabic, which implies that infinitive form of a word means its object form. There are a range of words, which are used to be designated for the meanings that are similar to *waqf*, such as *sadaqah/tasadduq*, *habs/tahbīs*, *sabīl/tasbīl*.

In the Sunnah, Rasūlullah ﷺ stated about the *waqf* in the hadith of ‘Umar (RA), in which he sought the advice of the Prophet ﷺ for the land that was assigned to him as his right of booty in Khaibar, as:

إِنْ شِئْتَ حَبَسْتَ أَصْلَهَا وَتَصَدَّقْتَ بِهَا

meaning “if you wish, you confine/detain the property and devote its yield as *sadaqah*” (Sahīh Muslim, Kitāb al Wasiyah, Bāb al *Waqf*, 1632). The word *أصلها* is translated as property, however it means the corporeal (*‘ayn*) of the property in real terms. In the other variants of the hadith the noble expression of the Prophet ﷺ was narrated as:

فَاَحْبِسْ أَصْلَهَا وَسَيِّلِ الثَّمَرَةَ

“Then, confine the corporeal of the property and give the yield as charity” (Sahīh al Nasāī, 3606)<sup>2</sup>.

إِحْبِسْ أَصْلَهَا وَسَيِّلِ ثَمَرَهَا

“Confine the corporeal of the property and give its yield as charity” (Sahīh Ibn Mājah, 1956).

In these noble statements of the Prophet ﷺ, the words *habs*, *tasadduq* and *tasbīl* that are mentioned above take their places. Thus, the primary feature of *waqf* is keeping the corpus intact and giving its yield as *sadaqah*. This essential and concise definition has constituted the backbone of almost all technical definitions of *waqf*.

The technical definition of *waqf* in the Sharī’ah terminology developed in connection with its lexical meaning, as it mainly concentrates on “detention” or “confinement” (*habs*) of the property (al Jurjānī, 2004, p. 212; Wizārah al Awqāf wa al Shu’ūn al Islāmiyyah, 2006, p. 108). Around this common feature, the jurists define *waqf* in different terms. The Hanafī scholars defined *waqf* as “detention of the asset (*‘ayn*) in the ownership of Allah Ta’ālā (*‘alā hukm milk Allah Ta’ālā*) and devotion of its

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<sup>2</sup> It is important to emphasize that in the hadith, ‘Umar (RA) indicates his intention in endowing this land as being closer to Allah Ta’ālā by his expression:

”إِنِّي قَدْ أَرَدْتُ أَنْ أَتَقَرَّبَ بِهَا إِلَى اللَّهِ عَزَّ وَجَلَّ“.

usufruct for a charitable purpose<sup>3</sup>” (al Haskafī, 2002, p. 369). This definition reflects the preferred opinion in the Hanafī school, which belongs to Abū Yūsuf and Muhammad al Shaybānī (*Sāhibayn*) (al Haskafī, 2002, p. 369). Following this definition, waqf is a binding contract that detains or confines the property in the ownership of Allah Ta’ālā in a way that it cannot be sold, bought, donated or inherited. Once a waqf is endowed, then its ruling is to give its yield as *sadaqah*, as it is accepted among the rights of Allah Ta’ālā (Haskafī, 2002, p. 376). In the opinion of Abū Hanīfah, *waqf* is “detention/confinement of the property in the ownership of the *wāqif* (‘*alā hukm milk al wāqif*) and giving its usufruct as *sadaqah* (regardless of giving it to the poor, the rich, to himself or his children)”, as it is a non-binding contract like ‘*āriyah* (al Trāblusī, 1987, p. 7; Ibn ‘Ābidīn, 2003, v.6 p. 519). The prefix “*hukm*” implies the binding nature of waqf<sup>4</sup>.

The reason behind the different definitions made by Hanafī scholars lies in how they theorize the legitimacy of waqf (Zarqā 1997, p. 29). They differ in opinion in analyzing the nature of *waqf* in terms of its similarity to other Sharī’ah contracts. The first theory regards *waqf* as an act of *tabarrū’* (voluntary charitable action) in which the *wāqif* only donates the right of usufruct of *mawqūf* (the subject matter of waqf) to a specific purpose without the right of disposition in the asset (Zarqā 1997, p. 29). This conception regards waqf as ‘*āriyah*, which transfer the ownership of usufruct without the ownership of asset, and asserted by Abū Hanīfah (al Trāblusī, 1981, p. 7).

Muhammad al Shaybānī asserted a slightly different approach. This approach regards *waqf* as an act of *tabarrū’* that transfers the ownership of asset and usufruct together,

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<sup>3</sup> In addition, the preferred opinion in the Shāfi’ī school is in line with the definition of *Sahibayn* in terms of the status of the ownership of *mawqūf*, as al Nawawī indicated that bare ownership of the *mawqūf* belongs to Allah Ta’ālā (al Nawawī, 2005, p. 322).

<sup>4</sup> This prefix is used by Haskafī, in compliance with the definitions of Hanafī scholars al Trāblusī and al Shrunbulālī (Ibn ‘Ābidīn, 2003, p. 519). Although it implies the bindingness of waqf, Abū Hanīfah does not see the waqf as binding except under two specific conditions, which are the will (*wasiyyah*) of *wāqif*—that is limited at most by the one third of inherited property according to the hadith of Rasūlullah ﷺ—and the judicial decision of *qādi* (al Trāblusī, 1981, pp. 7-8). However, *Sāhibayn* see *waqf* as a binding disposition, as the Hanafī school adopted the view of *Sāhibayn*, (al Trāblusī, 1981, p. 8).

as such in *hibah* (donation), however in a way that the asset is detained and the ownership cannot be transferred (Zarqā, 1997, p. 30; Bedir, 2014, p. 151; 153).

The second theory —asserted by Abū Yūsuf and also shared by Shāfi’ī— regards *waqf* as an act of *isqāt* (forfeiture of ownership), not an act of *tabarrū’*, such as the emancipation of a slave (*’itq*)<sup>5</sup>. It is linked with the emancipation of a slave, because the right of ownership forfeitures from the *wāqif* whereas the usufruct of the property belongs to the *mawqūfun ‘alayh* (beneficiaries), as an emancipated slave owns himself while the right of ownership of his master forfeitures (al Trāblusī, 1981, p. 8).

Based on these theories, the definition of Abū Hanīfah does not imply the transfer of ownership of the asset since he regards *waqf* as *’āriyah*, whereas the definition of *Sāhibayn* implies the transfer of ownership of the asset and usufruct together notwithstanding they have different conceptions of waqf (Zarqā, 1997, p. 30).

Shāfi’ī scholars defined waqf as “detention/confinement of a property that is suitable for extracting usufruct, by preventing any disposition in its bare ownership, to be spent on permissible and existing objective, provided that its substance is not impaired” (al Shirbīnī, 1998, p. 485; Wizārah al Awqāf wa al Shu’ūn al Islāmiyyah, 2006, p. 108). Abū Ishāq al Shīrāzī emphasized the importance of closeness (*qurbah*) to Allah Ta’ālā in waqf (al Shīrāzī, 1983, p. 136)<sup>6</sup>. The condition of *qurbah* —which has a central importance that makes waqf an act of worship— is emphasized not for the bindingness by preferred opinion in the Shāfi’ī school (al Nawawī, 1996, p. 218), rather it is for the attainment of reward in Hereafter<sup>7</sup>.

Hanbalī scholars define waqf as “making property detained and giving its yield as charity (*tahbīs al asl wa tasbīl al thamar*)” (Ibn Qudāmah, 1997, v. 8, p. 184). This definition is directly derived from the noble statement of Rasūlullah ﷺ in one of the variants of hadith related to the waqf of ‘Umar (RA) mentioned above. Similar to

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<sup>5</sup> Also, there are other scholars from different schools, who are in this view such as Ibn Qudāmah (Ibn Qudāmah, 1997, v. 8, p. 187).

<sup>6</sup> “Waqf is an act of closeness that is recommended (و الوقف قربة مندوب إليه)” (al Shīrāzī, 1983, p. 136).

<sup>7</sup> Contrary to Hanafī scholars, who accept *qurbah* as one of the conditions of validity for waqf.

Shāfi'īs, Hanbalī scholars stressed the importance of subject-matter (*mawqūf*) to be suitable for extracting usufruct provided that its substance is not impaired (Wizārah al Awqāf wa al Shu'ūn al Islāmiyyah, 2006, p. 108). Al Buhūtī emphasized the qualification of its objective as “to a pious objective through which the closeness (*qurbah*) to Allah Ta'ālā is intended (*ilā jihah al birr taqarruban ilā Allah Ta'ālā*)” (Wizārah al Awqāf wa al Shu'ūn al Islāmiyyah, 2006, p. 108).

The definition of Mālikī scholars is “giving the usufruct of a *thing* (as charity) for a time it exists in a binding sense, provided that the property will remain under the ownership of the founder” (al Mashīqh, 2013, v.1, p. 61; Wizārah al Awqāf wa al Shu'ūn al Islāmiyyah, 2006, p. 108) which differentiates with the other definitions to certain extent. There are three points of departure, one of which is that the Mālikī scholars accept the legitimacy of temporary waqf contrary to the majority, who sees perpetuity (*ta'bīd*) is a condition for its validity. The second point is related to the ownership of *mawqūf*, which is accepted to remain under the ownership of *wāqif*, as in the definition of Abū Hanīfah. The last point is that Mālikī scholars considers the *waqf* of usufruct valid and legitimate, since they use the word “thing” rather than “asset” (Günay, 2012, v. 42, p. 476).

Notwithstanding, almost all the definitions are based on the esteemed statement of Rasūlullah ﷺ, al Mashīqh indicates that the definition of Hanbalī scholars is accepted as the most succinct and fluent one, since it is directly derived from the noble statement of Prophet ﷺ, who is the most fluent in Arabic as well as the most eloquent in expression (al Mashīqh, 2013, v.1, p. 65). In addition, the definitions of Hanafī and Shāfi'ī scholars reflect elements from the other noble statement of the Prophet ﷺ, which comes in a different variant of the hadith.

## 2.2. Habs, Sadaqah and Waqf: Historical Development of The Concept

Following the definition of *waqf*, historical development of the concepts of *habs*, *sadaqah* and *waqf* as well as their scope are examined in this section. As mentioned above, the concept was firstly expressed by our beloved Prophet ﷺ through the words of *habs* and *sadaqah/tasadduq*. Since the Prophet ﷺ used these words, the Islamic law of *waqf* was constructed based on these words. The earlier examples of this fact can be seen in al *al Mudawwanah* of Sahnūn, *al Hujjah 'alā Ahl al Madīnah* of Muhammad b. Hasan al Shaybānī, *al Umm* of al Shāfi'ī and *Ahkām al-Awqāf* of al Khassāf (al

Shaybānī, 1969, v.3, p. 46; al Khassāf, n.d., pp. 1-19; Bedir, 2014, pp. 141-145; Çilingir, 2018, p. 13). In *al Mudawwanah* the title of “*Kitāb al Habs wa al Sadaqah*”, in *al Umm* the title of “*Kitāb al Ahbās*” was used, whereas al Khassāf preferred to use the word “*sadaqah*” for the awqāf of Rasūlullah ﷺ and His ﷺ Companions (RA) and their Followers. Hence, although they did not mention the term of *waqf*, how these words had given their places to *waqf* in the course of time? In order to answer this question, it would be beneficial to begin with the approaches of the schools of Hejaz and Iraq towards the issue.

There had been two important schools, in the development process of fiqh, which are the Hejaz school and the Iraq school. Both of these schools were represented by their pioneer scholars like Muhammad al Shaybānī and Sahnūn. *Al Asl* of al Shaybānī reflects the foundational views of Iraq school towards the *waqf*, as *al Mudawwanah* of Sahnūn shows the views of Hejaz school (Bedir, 2014, pp. 141-143). The first outstanding difference between these two schools emerges in term preference, as Iraq schools uses *waqf*, while Hejaz school preferred to use *habs*. Notwithstanding their linguistic meanings intersect with each other; there are certain characteristics that distinguish between these two concepts, which are the status of property and the attribute of perpetual *sadaqah* (Bedir, 2014, p. 143). In addition, although these two issues constitute the points of distinction between *habs* and *waqf*, they have a common point that they are the sub-set concepts of *sadaqah* (Bedir, 2014, p. 150; 156).

In terms of the status of property, there are two main approaches represented by two different schools. The first approach asserts that the property is not owned by any person; hence, the status of property is *mawqūf*, which implies that the status of property is abeyant or suspended. Meanwhile, the second approach implies that the property will remain under the ownership of the *wāqif*, although the *waqf* contract is valid since the second approach does not see *waqf* as a binding contract. The first approach mainly represented by al Shaybānī and have become the dominant approach of Hanafī scholars after him, whereas the second approach is mostly preferred by Mālikī scholars and Abū Hanīfah. Although Abū Hanīfah defended the second stance in terms of status of property, the second approach has been identified with the Hejaz school, whereas the first approach with the Iraq school.

The attribute of perpetual *sadaqah* implies both the perpetual and charitable nature of *waqf*, as it constitutes another point of distinction between *habs* and *waqf*. These are

subset concepts of *sadaqah*, however their conceptions differ from each other to some extent, especially in terms of *dhurrī* (family) *awqāf* which constituted an important amount of *habs* in the first periods (Bedir, 2014, p. 145; 148). *Dhurrī awqāf* had been made to the members of next generations within a family. There are evidences that the Companions (RA) have established numerous *dhurrī awqāf*, as Khassāf referred to them (al Khassāf, n.d., pp. 1-19). Hence, *dhurrī awqāf* are also an important kind of valid *sadaqah*. However, some scholars evaluated *habs* as an institution, through which the wealth of a family remained in the hands of its members in an intergenerational sense. In that regard, the scholars such as Qādī Shurayh and Abū Hanīfah raised an objection to the concept of *habs*, especially in terms of having a potential for violating the inheritance law (Bedir, 2014, p. 148).

Iraq school that was led by al Shaybānī—through taking this objection into account—considers *habs* not as a perpetual charity, rather as an institution that keep the wealth of a family within itself. Hence, Iraq school argued that in order to be a kind of *sadaqah* there should be an objective, which will not expire forever, such as the poor and needy. This is an implication of two main characteristics of *waqf* that are the perpetuity (*ta'bīd*) and being a kind *sadaqah*. Thus, *habs* in the sense of *dhurrī awqāf* can be perpetual *sadaqah* if its objective becomes a charitable way—i.e. the poor and needy—when the generation discontinues. At this point, it can be said that al Shaybānī determined the stance of Iraq school towards the conception of *waqf*, as he found this genuine formulation (Bedir, 2014, p. 146). He brought the idea of detention from *habs*, whereas the idea of charity from *sadaqah* and named this institution as *waqf* which is based on perpetual charity that has no owner (Bedir, 2014, p. 147; 150). In that sense, the *habs* of ‘Umar (RA) is a very prominent example of *waqf*, since Rasūlullah ﷺ used both the words of *sadaqah* and *habs* in His ﷺ advice to him (Bedir, 2014, p. 150). Thus, these two points, which are the status of ownership and the attribute of perpetual charity, constitute the points of distinction between *habs* and *waqf*, at least in the approach of Iraq school.

Moreover, delivery to the *mutawallī* is another point of distinction between *habs* and *waqf*. As mentioned above, al Shaybānī regards *waqf* as *hibah/sadaqah*, which transfers the ownership of asset and usufruct together. As an implication of this analogy, in order to be binding, a *waqf* should be delivered to a *mutawallī*, since a transaction of *hibah* only becomes binding when the delivery takes place (Bedir, 2014,

p. 151). It is worth to mention that the view of Mālik b. Anas—who is the most prominent scholar of Hejaz school—is in line with the view of his student al Shaybānī on the issue of delivery (Bedir, 2014, p. 157). On the other hand, another prominent figure of Iraq school, Abū Yūsuf regards *waqf* as an act of *isqāt* (forefeiture of ownership). This view implies that the delivery is not a condition for a *waqf* to be binding, as the verbal disposition is enough for *waqf* to be valid and binding (Bedir, 2014, p. 151)—such as in *‘itq* (emancipation of slave) or *talāq* (divorce). Although the view of Abū Yūsuf seems like it is closer to the Hejaz school in that sense—as he shared the same idea with Shāfi’ī in this issue—it might stem from his long-lasting experience as *qādī*, during which he might have been convinced to ease the establishment procedures of *waqf* (Bedir, 2014, p. 152). It should be mentioned that the delivery of each *waqf* might change in accordance with its nature, as *masjids* accepted to be delivered when a Muslim congregation or even a Muslim prays within this *masjid*, whereas the graveyard supposed to be delivered when a Muslim is buried in it.

When it comes to the approach of Hejaz school, the works of Shāfi’ī and Sahnūn with regard to *waqf* are remarkable. Firstly, although there are some similarities, it should be emphasized that the Hejaz school’s conception towards *habs* differs from the assumption of Iraq school towards their conception. Since Mālikī scholars are more flexible in terms of perpetuity of *waqf*, the assumption of Iraq school towards the Hejaz school’s conception of *habs* is in point. This difference shows its effect especially on the issues of the substitution (*istibdāl*) and the *waqf* of movables between two schools. In that sense, the Mālikī conception of *habs* assumes that ownership of the *wāqif* on *mawqūf* prevails after the establishment of *habs* (Bedir, 2014, p. 158). However, it differs as well because there is also an idea of *sadaqah* in the *habs* conception of Hejaz school (Bedir, 2014, pp. 156-157). For instance, the primary objective of *habs* after family is *jihād* for Mālikīs, as it is the most outstanding meaning of the term *fī sabīl Allah* in its absolute usage (Bedir, 2014, p. 156).

In addition, it would be beneficial to mention that Hanbalī scholars used the term *waqf*, however—instead of *awqāf*—they use *wuqūf* for its plural form (al Khallāl, 1994, p. 19). Furthermore, some prominent Shāfi’ī scholars like al Nawawī preferred *waqf* in his *Minhāj al Tālibīn*, which is one of the most prominent books of Shāfi’ī school (al Nawawī, 2005, p. 319). Notwithstanding the concept of *waqf* has become widespread

in the majority of Muslim lands, most of the scholars have defined waqf transaction through using the concept of *habs*. Thus, despite the minor differences mentioned above, there has been an interlinkage among the concepts of *habs* and *waqf*, both of which constitutes a kind of *sadaqah*.

### 2.3. Legality of Waqf

Waqf is a legal transaction that is subjected to the categories of *hukm taklīfī* (defining law), as there emerged different opinions on the legality of waqf among the *ulamā* (al Mashīqh, 2013, v. I, p. 66). Majority of the *fuqahā* —constituted by Hanafī, Shāfi'ī, Mālikī, and Hanbalī schools— remarked that the ruling of waqf is *mandūb* (commendable) or *mustahab* (desirable) (al Mashīqh, 2013, v. I, p. 66). On the other hand, Haskafī indicated that it is *mubāh*, since the non-Muslim subjects (*dhimmī*) are also allowed to endow (Haskafī, 2002, p. 369). However, if a person makes a vow (*nazr*) to endow a waqf, then it is obligatory (*wājib*) for him to do that (Haskafī, 2002, p. 369).

In addition, there are other opinions that raised about its legality such as permissible only for waqf of specific items by Ibn Hazm, permissible only for waqf of weapons and horses by Ibrahim al Nakha'ī, not permissible except if there is a judgement of *qādī* or attributed to the death of *wāqif* by Abū Hanīfah, and not permissible in absolute sense by al Sha'bī and Qādī Shurayh (al Mashīqh, 2013, v.1, pp. 66-69). The view of Abū Hanīfah is interpreted by the late Hanafī scholars as waqf is a non-binding transaction that is permissible (al Mashīqh, 2013, v.1, p. 68; al Trāblusī, 1981, p.7). The view of al Sha'bī and Qādī Shurayh was seen contrary to the Sunnah by the others, since Rasūlullah ﷺ ordered 'Umar (RA) to *detain the asset and give its yield to charity* (al Mashīqh, 2013, v.1, p. 67; al Khallāl, 1994, p. 21).

In that regard, we can speak of the presence of two prominent approaches among the majority of *fuqahā*, which see the ruling of waqf as either *mandūb* (commendable) or *mubāh* (permissible). However, the view in favor of being *mandūb* seems like a better preference, since it is an act of *qurbah*.

### 2.3.1. Evidences from al Qur’ān al Karīm and the Sunnah

Notwithstanding there is not a specific Verse in the Noble Qur’an that is related to the legality of awqāf, there are many holy Verses that include the legality of awqāf<sup>8</sup>, since it is a kind of *sadaqah* and act of righteousness (*al birr*). In the Verse 92 of Surah Al ‘Imrān, Allah Ta’ālā stated:

﴿لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا تُحِبُّونَ وَمَا تُنْفِقُوا مِنْ شَيْءٍ فَإِنَّ اللَّهَ بِهِ عَلِيمٌ﴾

“Never will you attain the righteousness until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it” (Āl ‘Imrān, 3/92).

Anas bin Mālik (RA) reported that when this Verse was revealed, Abū Talha (RA) said that “O Rasūlullah! Allah states that “Never will you attain the righteousness until you spend [in the way of Allah] from that which you love” (Surah Al ‘Imrān, 3:92) and the prettiest property of mine is Baruhāi as it is a sadaqah for Him that I expect its righteousness (*birr*) and reward (*dhakhr*) in the sight of Allah. Then, use it in way that Allah shows you. Rasūlullah ﷺ stated:

بخ، ذلك مال رابح – أو رايح شك ابن مسلمة – و قد سمعت ما قلت، و إني  
أرى أن تجعلها في الأقربين

“Excellent, that is a property which is profitable, and I heard what you said. I approved you to make it for the relatives” (Sahīh Bukhārī, Kitāb al Wasāyā, 2758; Sahīh Muslim, Kitāb al Zakāh, 998).

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<sup>8</sup> We benefited from the valuable survey of al Mashīqh (2013) for the evidences that are related to the legality of awqāf.

In another Noble Verse, Allah Subhānahu wa Ta’ālā stated that:

﴿إِنَّا نَحْنُ نُحْيِي الْمَوْتَىٰ وَنَكْتُبُ مَا قَدَّمُوا وَآثَارَهُمْ وَكُلَّ شَيْءٍ أَحْصَيْنَاهُ فِي إِمَامٍ مُّبِينٍ﴾

“It is certainly We Who resurrect the dead and write what they send forth and what they leave behind. Everything is listed by Us in a perfect Record” (Yāsīn, 36/12).

The other meanings of word **آثَارَهُمْ** are “the effects they leave behind” (Usmani, 2016) or “their footprints” (Pickthall, 1930). In that regard, al Sa’dī, in the interpretation of this Verse, said:

“their effects (or the footprints) are the good effects and bad effects which were the reasons of their creation (إيجادهم) in their lifetimes..., or the good deeds such as *salāh*, or *zakāh*, or *sadaqah*, or a beneficence (*ihsān*) that the others follow, or a masjid or a place that the people benefit from it...” (al Mashīqh, 2013, v. 1, p. 70).

In addition, there are other Glorious Verses that emphasize the importance of doing good things, giving *sadaqah*, and making beneficence, a kind of which is the waqf as well, such as the following:

﴿وَأَنْفِقُوا فِي سَبِيلِ اللَّهِ وَلَا تُلْقُوا بِأَيْدِيكُمْ إِلَى التَّهْلُكَةِ وَأَحْسِنُوا إِنَّ اللَّهَ يُحِبُّ الْمُحْسِنِينَ﴾

“Spend your wealth for the cause of Allah and be not cast by your own hands to ruin; and do good. Lo! Allah loveth the beneficent” (al Baqarah, 2/195).

﴿وَلِكُلِّ وُجْهَةٍ هُوَ مُوَلِّيٰهَا فَاسْتَبِقُوا الْخَيْرَاتِ﴾

“For everyone there is a direction to which he turns his face. Strive, then, to excel each other in good deeds” (al Baqarah, 2/148).

﴿وَاتِ ذَا الْقُرْبَىٰ حَقَّهُ وَالْمِسْكِينَ وَابْنَ السَّبِيلِ﴾

“Give the relative his right, and the needy and the wayfarer” (al Isrā, 17/26).

﴿وَأَفْعَلُوا الْخَيْرَ لَعَلَّكُمْ تُفْلِحُونَ﴾

“(O you who believe) do good deeds, so that you achieve success” (al Hajj, 22/77).

﴿وَمَا يَفْعَلُوا مِنْ خَيْرٍ فَلَنْ يُكْفَرُوهُ وَاللَّهُ عَلِيمٌ بِالْمُتَّقِينَ﴾

“And whatever good they do - never will it be denied them. And Allah is Knowing of the righteous” (Āl ‘Imrān, 3/115).

﴿لَيْسَ الْبِرَّ أَنْ تُوَلُّوا وُجُوهَكُمْ قِبَلَ الْمَشْرِقِ وَالْمَغْرِبِ وَلَكِنَّ الْبِرَّ مَنْ آمَنَ بِاللَّهِ  
وَالْيَوْمِ الْآخِرِ وَالْمَلَائِكَةِ وَالْكِتَابِ وَالنَّبِيِّينَ وَآتَى الْمَالَ عَلَى حُبِّهِ ذَوِي الْقُرْبَى  
وَالْيَتَامَى وَالْمَسَاكِينَ وَابْنَ السَّبِيلِ وَالسَّائِلِينَ وَفِي الرِّقَابِ﴾

“Righteousness (al birr) is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveler, those who ask [for help], and for freeing slaves” (al Baqarah, 2/177).

In the *Sunnah* of Rasūlullah ﷺ, in the narration of Abū Hurairah (ra) the Prophet ﷺ stated that:

إذا مات ابن آدم انقطع عمله إلا من ثلاث: صدقة جارية، أو علم ينتفع به،  
أو ولد صالح يدعو له

“When a child of Adam dies, his deeds come to an end except for three things: Sadaqah Jāriyah (continuous charity); a beneficial knowledge, or a virtuous descendant who prays for him” (Sahīh Muslim, 1631).

Here the word *sadaqah jāriyah* includes the meaning of waqf that is a continuous and perpetual charity, as it continues to give reward to its beneficiaries even after the founder’s death.

In that regard, as He ﷺ is the best example in every matter of the life, the first waqf was endowed by Rasūlullah ﷺ. Al Khassāf reported that:

Abū Bakr Ahmad bin ‘Umar narrated and said to me that Muhammad bin ‘Umar al Wāqidī narrated to him and said Sālih bin Ja’far reported us from al Masūr bin Rifā’ah, he said that Mukhayrīq was killed in the beginning of thirty second month after the hijrah of Rasūlullah ﷺ and he made a will that if he dies his wealth will belong to Rasūlullah ﷺ and Rasūlullah ﷺ took possession of this wealth and give its yield as *sadaqah* (*tasaddaqa bihā*) (al Khassāf, n.d., p. 1).

In another narration, there are more details regarding the first waqf in Islam:

... he said that Mukhayrīq was killed in the Day of Uhud and made a will that “if I die, my wealth will belong to Rasūlullah ﷺ so that he puts is in a way that Allah Ta’ālā shows to him”. Then, it completely (became) a *sadaqah* of Rasūlullah ﷺ (al Khassāf, n.d., p. 1) .

It should be noted that, in the first narration the expression of “*tasaddaqa bihā*” is the same noble expression that is used by our beloved Prophet ﷺ for his noble suggestion to ‘Umar (RA) —that was expressed as “*tasaddaqa bihā*”— which took place in the conquest of Khaybar that was roughly 3-4 years after the first waqf of the Prophet ﷺ. Hence, the first waqf in the Islam was endowed by the best of the examples, Rasūlullah ﷺ, which has become a touchstone of mercy and beneficence in the following centuries throughout the Islamic world from Indonesia to Morrocco that have nurtured the poor, fulfilled the needs of the needy, treated the patients, provided the relevant services for all kinds of needs of the people and other creatures.

Another important evidence that shows the legality of awqāf is the hadith, which is about the land of ‘Umar bin Khattāb (RA) in Khaybar —called as *Thamgh*— as Ibn ‘Umar (RA) narrated:

عَنْ ابْنِ عُمَرَ، قَالَ أَصَابَ عُمَرُ أَرْضًا بِخَيْبَرَ فَأَتَى النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ يَسْتَأْمِرُهُ فِيهَا فَقَالَ يَا رَسُولَ اللَّهِ إِنِّي أَصَبْتُ أَرْضًا بِخَيْبَرَ لَمْ أُصِبْ مَالًا قَطُّ هُوَ أَنفَسُ عِنْدِي مِنْهُ فَمَا تَأْمُرُنِي بِهِ قَالَ ﷺ "إِنْ شِئْتَ حَبَسْتَ أَصْلَهَا وَتَصَدَّقْتَ بِهَا". قَالَ فَتَصَدَّقَ بِهَا عُمَرُ أَنَّهُ لَا يُبَاعُ أَصْلُهَا وَلَا يُبْتَاغُ وَلَا يُورَثُ وَلَا يُوهَبُ. قَالَ فَتَصَدَّقَ عُمَرُ فِي الْفُقَرَاءِ وَفِي الْقُرْبَى وَفِي الرِّقَابِ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ وَالضَّيْفِ لَا جُنَاحَ عَلَيَّ مَنْ وَلِيَهَا أَنْ يَأْكُلَ مِنْهَا بِالْمَعْرُوفِ أَوْ يُطْعِمَ صَدِيقًا غَيْرَ مُتَمَوِّلٍ فِيهِ.

“Umar acquired a land at Khaibar. He came to Rasūlullah ﷺ and sought his advice in regard to it. He said: O Rasūlullah, I have acquired a land in Khaibar. I have never acquired a property more valuable for me than this, so what do you command me to do with it? Thereupon Rasūlullah ﷺ said: *If you like, you may detain the asset and give its yield to sadaqah.* So 'Umar gave it as sadaqah declaring that property must not be sold or inherited or given away as gift. And 'Umar devoted it to the poor, to the nearest kin, and to the emancipation of slaves, in the way of Allah, the wayfarer, and the guests. There is no sin for one, who administers it if he eats from it in a reasonable manner or if he feeds his friends and does not hoard up goods (for himself)” (Sahih Muslim, Kitāb al-Wasiyah, Bāb al-Waqf, 1632).

This noble hadith is the one that defines and explains the waqf in a comprehensive sense, in terms of its definition, nature, beneficiaries, deed (waqfiyah), mutawallī as well as his allowance to benefit from the waqf. In addition, 'Umar (RA) stipulated wilāyah of his waqf to his daughter, Umm al Mu'mīnīn Hafsa (RA) and then the elders of the family of 'Umar (al Trāblusī, 1981, p. 10).

Another important example of the waqf in the time of the Prophet ﷺ, was a well called as *al Bi'r al Rūmah*, which was endowed by 'Uthman bin 'Affān (RA):

وَقَالَ عَبْدَانُ أَخْبَرَنِي أَبِي، عَنْ شُعْبَةَ، عَنْ أَبِي إِسْحَاقَ، عَنْ أَبِي عَبْدِ الرَّحْمَنِ، أَنَّ عُثْمَانَ - رَضِيَ اللَّهُ عَنْهُ - حَيْثُ حُوصِرَ أَشْرَفَ عَلَيْهِمْ وَقَالَ أَنْشُدْكُمْ وَلَا أَنْشُدُ إِلَّا أَصْحَابَ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ، أَلَسْتُمْ تَعْلَمُونَ أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ " مَنْ حَفَرَ رُومَةَ فَلَهُ الْجَنَّةُ " . فَحَفَرْتُهَا، أَلَسْتُمْ تَعْلَمُونَ أَنَّهُ قَالَ " مَنْ جَهَّزَ جَيْشَ الْعُسْرَةِ فَلَهُ الْجَنَّةُ " . فَجَهَّزْتُهُمْ. قَالَ فَصَدَّقُوهُ بِمَا قَالَ. وَقَالَ عُمَرُ فِي وَفِّهِ لَا جُنَاحَ عَلَيَّ مَنْ وَلِيَهُ أَنْ يَأْكُلَ. وَقَدْ يَلِيهِ الْوَأَقِفُ وَغَيْرُهُ فَهُوَ وَاسِعٌ لِكُلِّ.

“When 'Uthman (ra) was circled (by the rebels), he looked upon them from above and said, "I ask you, I ask nobody but the Companions of the Prophet (ﷺ), don't you know that Allah's Messenger (ﷺ) said, 'Whoever will (buy and) dig the well of Ruma will be granted Paradise,' and I (bought and) dug it? Don't you know that he said. 'Whoever equip the army of 'Usra (i.e., Tabuk's Ghazwa) will be granted Paradise,' and I equipped it?" They attested whatever he said. When 'Umar (ra) endowed his waqf he said, "Its mutawallī can eat from it." The management of the waqf can be taken over by the founder himself or any other person, for both cases are permissible” (Sahih Bukhārī, 2778).

Furthermore, al Khassāf mentions the narrations relevant to the awqāf of Rasūlullah ﷺ and His ﷺ Companions (RA), including Abū Bakr al Siddīq (RA), ‘Umar bin Khattāb (RA), ‘Uthman bin ‘Affān (RA), ‘Alī bin Abū Tālib (RA), Zubayr bin ‘Awwām (RA), Mu’ādh bin Jabal (RA), Zayd bin Thābit (RA), Umm al Mu’minīn ‘Āisha binti Abū Bakr (RA), Asmā binti Abū Bakr (RA), Umm al Mu’minīn Umm Habībah (RA), Umm al Mu’minīn Safiyah binti Huyay (RA), Sa’d bin Abū Waqqās (RA), Khālid bin Walīd (RA), Jābir bin Abd Allah (RA), Sa’d bin ‘Ubādah (RA), ‘Uqbah bin ‘Āmir (RA), ‘Abd Allah bin Zubayr (RA) (al Khassāf, n.d., p. 1-18). A narration came from Jābir bin Abd Allah (RA) explains the importance that the Companions assigned to the *Sunnah* of waqf:

Muhammad bin ‘Umar al Wāqidī narrated from Qudāmah bin Mūsā al Jamhī from Bishr that he said ... Jābir bin Abd Allah (RA) said that “I don’t know anyone who have a wealth from the Muhājirīn and the Ansār that do not detain/confine a property out of his wealth as perpetual *sadaqah* (*sadaqah mu’abbadah*) that cannot be sold, or given away as gift or inherited forever” (al Trāblusī, 1981, p. 11)

Thus, in this section, we humbly attempted to mention some of the noble and glorious evidences that are relevant to the legality of awqāf.

## 2.4. Types of Waqf

This section briefly mentions the four main kinds of waqf that are khayrī, dhurrī, irsādī and waqf of movables. There are also various types of awqāf that have emerged throughout the history of Muslims —especially depending on the status of mawqūf or the method employed for revenue generation from it— including waqf with *hikr*, or with *ijāratayn*, *waqf al awāriz*, *waqf al mazzbūt*, as this section does not explain these kinds of waqf, instead it humbly attempts to briefly mention some general categories of waqf.

### 2.4.1. Khayrī (Charitable) Awqāf

In terms of the beneficiaries of waqf, the awqāf are classified into two groups that are khayrī (charitable) and dhurrī (family). Khayrī awqāf are the ones that are established for charitable objectives and the beneficiaries of which are specified through a general characterization in terms of the declaration of intent such as the poor, needy, wayfarer, or students (Günay, 2012, p. 478).

### 2.4.2. Dhurrī (Family) Awqāf

Dhurrī awqāf are the ones in which the beneficiaries consist of the rich and the poor relatives, whereas the poor can benefit from them after the death of last family member (Günay, 2012, p. 478). They are also called as *al awqāf al ahlī*. These awqāf are deemed as permissible by most of the fuqaha, whereas there are awqāf of the Companions (RA) of Rasūlullah ﷺ who endowed this kind of awqāf (Günay, 2012, p. 478; al Khassāf, n.d., p. 1-18).

### 2.4.3. Irsādī Waqf

Irsādī awqāf represent the endowments of the revenue or right of disposition of a property whose bare ownership belongs to Bayt al Māl, which are made by the imam or sultan in the form of allocations or designations from the state budget in favor of a public interest (Akgündüz, 2000, p. 448). In that sense, they are accepted under a different category, called as illegitimate waqf (*waqf ghayr sahīh*), not because of the reason that they are invalid, however they are not a waqf in real terms, since a waqf can only be endowed by a wise, major and free person through his private property (Akgündüz, 2000, p. 448). Haskafī emphasized that, in normal terms, only the waqf of *mawāt* (dead) lands or the ones that are under the private property of the sultan and given as *iqṭā'* to someone can be endowed in that regard (Haskafī, 2002, p. 374). However, making reference to *Wahbaniyah*, he said that “if the sultan endowed (designated) a land from our Bayt al Māl for a public interest, then it is permissible and he will be rewarded” (Haskafī, 2002, p. 374), as this permission can be valid only for the lands that are conquered by the power (*anwatan*), not by the peace (*sulhan*), since the ownership of the lands that are conquered through the peace remains with their owners (Haskafī, 2002, p. 374).

Irsādī awqāf are also classified into two categories that are legitimate irsād and illegitimate irsād. The examples of the former are the ones that are endowed to support the public institutions such as madrasah, hospital of masjid in which there is public interest. The latter is the ones that are endowed in favor of the objectives who do not have any right in Bayt al Māl. The main difference between them is that the former cannot be cancelled, whereas the conditions of the latter can be changed with the

permission of the sultan or even it can be cancelled by him (Akgündüz, 2000, pp. 49-50).

#### **2.4.4. Waqf of Movables (Manqūl)**

The waqf of movables (manqūl) are the waqf whose mawqūf are not the real estates, instead they are the movable properties. The waqf of movables was accepted as permissible if they are dependent on real estates, or if there is a custom for their endowment. Ibn Ābidīn remarked that the former is permissible without any dispute between Sāhibayn such as the weapons and the horses, however a dispute raised between them for the other kinds of movable assets as Abū Yūsuf said it is not permissible, whereas Muhammad al Shaybānī accepted them as permissible if there is a custom for their endowment, as the view of al Shaybānī is the preferred opinion in the Hanafī school (Ibn Ābidīn, 2003, p. 555). This statement shows the primary position of real estates in being subject matter of waqf compared to the movables, whose legitimacy is accepted only if they are tied to the real estates or there is a custom. In line with this, al Trāblusī indicated that the assets that can be the subject-matter of waqf are lands or houses or the movables on which there is a custom for endowing them (al Trāblusī, *al Is'āf*, p. 23). In addition, for the permissibility of waqf of movables, Ibn Ābidīn indicated that many of the fuqahā accepted its legitimacy since the qiyās (analogy) can be left in favor of the custom (*'urf*) (Ibn Ābidīn, 2003, p. 555).

As a well known form of waqf of movables, cash waqf was also seen permissible if there is a custom for their endowment. The earlier view on its permissibility was assigned to Zufar in Hanafī school, through the narration of one of his disciples al Ansārī, as Zufar said that it is permissible to endow a cash or food or a thing which measurable or weighable (Özcan, 2000, p. 35). Zufar, when he was asked how these movables can be a subject matter of waqf, replied that “the dirhams would be given to *mudārabah* and its profit will be spent to the waqf objective” (Özcan, 2000, p. 35). In the Islamic history, especially after the 9<sup>th</sup>/15<sup>th</sup> century, they became widespread in Ottoman territories. There were many of the small and medium sized cash awqāf were endowed by the people to fulfill the various needs of the public, as there are many of them that were endowed in Balkan region (Bulut et. al., 2019).

## 2.5. The Pillars and Conditions of Waqf

As for each legal disposition, waqf has certain pillars. Hanafī scholars, as their general attitude for all the issues related to the field of *mu'āmalāt*, see that the only pillar of the waqf is utterance (*alfāz*), as a person should declare his intent to endow a waqf with particular expressions, such as “this land of mine is an endowed and perpetual *sadaqah* (*sadaqah mawqūfah mu'abbadah*) for the needy” or “it is a *sadaqah* for the sake of Allah Ta'ālā to be spent on an object of charity (*khayr*) or righteousness (*birr*)” (Haskafī, 2002, p. 369). Abū Yūsuf suffices with the utterance of “endowed (*mawqūfah*)”, as it naturally includes the elements like perpetuity and being for the needy (Haskafī, 2002, p. 369). In addition to the utterance, notwithstanding they are not among the pillars of waqf in Hanafī school, the majority mentions the wāqif (the founder), mawqūf (subject matter of waqf), and mawqūfun 'alayh (the beneficiaries).

In terms of wāqif, the founder, he or she must be free, intellect and major who reaches the level puberty (Haskafī, 2002, p. 369; Elmalılı, 2020, p. 84). Also, he or she should be mature (*rashid*) and not being interdicted (*ghayr mahjūr*) (Elmalılı, 2020, p. 84). Thus, a non-Muslim subject (*dhimmi*) or a beneficiary of amān (*musta'man*) can endow a waqf (Elmalılı, 2020, p. 84). In addition, the consent of the wāqif is a prerequisite, so that the declaration of intent under a coercion (*ikrāh*) makes waqf invalid (Elmalılı, 2020, p. 84).

The mawqūf (subject matter of the waqf) should be a kind of *al māl al mutaqawwim* that is a wealth, which is recognized as a property by the Sharī'ah that has a commercial value (Haskafī, 2002, p. 369). In addition, the mawqūf should be either a kind of real estate or a movable, for the endowment of which there is a custom (Ibn Ābidīn, 2003, p. 555; Elmalılı, 2020, p. 91). In accordance with the view of Hanafī school, the mawqūf should be a kind of asset (*'ayn*) since waqf of the usufruct or the debt is not permissible (Elmalılı, 2020, p. 91). Moreover, mawqūf should be under the absolute ownership of the founder, as it should be definite and known (Elmalılı, 2020, p. 92). The waqf of undivided share of a joint property (*al māl al mushā'*) is permissible in accordance with Abū Yūsuf, however it is invalid according to al Shaybānī (Elmalılı, 2020, p. 92; Haskafī, 2002, p. 370). Furthermore, if the mawqūf is either a building or a set of trees, then endowing them would be invalid in case they are on the land of the others or if they were built on the *kharājī* lands without permission (Elmalılı, 2020, p. 93).

Considering the mawqūfun ‘alayh (beneficiaries), there should not be any doubt about the objective of the waqf, for instance the wāqif should not declare his intent by merely saying that “I endowed this property either to this masjid or that madrasah”, as he should specify one or both of them together (Elmalılı, 2020, p. 94). Another important point regarding the beneficiaries is that they should not be in a certain amount, nor they should exist at the time of endowment (Elmalılı, 2020, p. 94).

In addition, there are other validity conditions, which are of a vital importance for the waqf to be a valid and legitimate disposition. First of these vital conditions is the condition of *qurbah* (Haskafī, 2002, p. 369). *Qurbah* means the closeness to Allah Ta’ālā, as the intention of wāqif should include the element of *qurbah* which is apparent in terms of the essence and form which take place in his objective (Ibn Ābidīn, 2003, p. 524). In that sense, *qurbah* becomes concrete through the objective, which should have a qualification of charity, righteousness or goodness (Çilingir, 2018, p. 73). The qualification of *qurbah* is the unique element that transforms the waqf into a kind of *‘ibādah*. As a validity condition, if the condition of *qurbah* is not satisfied, then the waqf becomes invalid according to the Hanafī school. As an important implication of this condition, an endowment for the church either by a non-Muslim subject (*dhimmī*) or a Muslim is not valid, since the church does not carry a meaning of *qurbah* for the Muslims (Haskafī, 2002, p. 369). However, the waqf of a non-Muslim subject for the poor or Masjid al Aqsā is valid, since these objectives carry the meaning of *qurbah* for Muslims (Ibn Ābidīn, 2003, p. 524). The high importance of this condition was explained in previous sections as well.

Another condition of validity is the condition of perpetuity (*ta’bīd*). According to that condition, a temporary waqf is invalid, as if a person endow a property on a temporary basis, his condition for being temporary becomes invalid, whereas his waqf is accepted as valid, as being in effect on perpetual basis (Haskafī, 2002, p. 369; 370). The condition of perpetuity is the one that is related to the essence of waqf, since waqf is a kind of *sadaqah jāriyah* through which the deed book of its founder can remain open and he will be rewarded on perpetual basis.

In addition, another condition of validity is that the establishment of waqf cannot be assigned to a condition which can take place in the future (Haskafī, 2002, p. 369). In that sense, a waqf cannot be *mu’allaq*, rather it should be *munajjaz*. Moreover, the establishment of waqf cannot be attributed to after the death of the founder, except the

case that he makes a will (*wasiyah*) for that. Also, there must not be any optional condition (*khiyār al shart*) for the waqf (Haskafi, 2002, p. 369). Lastly, there should not be any stipulation in the deed of waqf such as “in case the wāqif be in need, the waqf can be sold and it can be spent for the need of the wāqif” (Haskafi, 2002, p. 369). Consequently, this chapter is a humble attempt to briefly mention the fundamentals of the rulings of waqf in Shari’ah, as only Allah Ta’ālā knows the best.



## CHAPTER 3

### 3. ECONOMIC ROLE OF AWQĀF IN THEORY

The economic role of awqāf can be constructed on their Sharī'ah basis that is explained in the previous chapter. In order to do that, Sharī'ah principles for awqāf should be linked with the relevant economic implications. In that regard, we try to mention some fundamental Sharī'ah principles for waqf that have economic reflections, which are derived from the classical sources of the Hanafī school. Then, the contemporary views on the economic role of awqāf are evaluated on the basis of these principles. Insha'Allah, with this understanding, this chapter will discuss the economic role of awqāf in a theoretical way, by referring to economic principles of waqf in the classical literature of Hanafī school as well as the contemporary views on the economic role of waqf.

#### 3.1. Fundamental Principles for the Economic Role of Waqf in Classical Fiqh

Although the effort to derive an economic implication from each Sharī'ah principle of waqf would be an inappropriate attempt, the economic reflections of some fundamental principles would provide guidelines for us to frame the economic role of awqāf in accordance with their real meaning in Sharī'ah. To do that, we can detect four main principles that are discussed below.

##### 3.1.1. Waqf is the Detention of Property and Devotion of Its Yield as Sadaqah

One of the most prominent characteristics of the concept of waqf lies behind its definition in Sharī'ah, which is the detention of property and devotion of usufruct to a charitable purpose (Haskafī, 2002, p. 369; Shurunbulālī, n.d., p. 132). As mentioned in the previous chapter, the hadith of Rasūlullah ﷺ related to the land of 'Umar (RA) in Khaybar constitutes the essence of this definition. The definition includes two main elements, which are the detention of property and the devotion of its yield as *sadaqah*.

The detention of property requires the mawqūf to be precluded from any legal disposition, including transfer of ownership, inheritance, donation (Trāblusī, 1981, p. 7,11-12; Haskafī, 2002, p. 370), as indicated in the hadith as "... so 'Umar (RA) gave it as *sadaqah* declaring that property must not be sold or inherited or given away as gift..." (Sahih Muslim, Kitāb al-Wasiyah, Bāb al-Waqf, 1632). Once a property is

confined, it is deemed to be as a property of Allah the Almighty, as an indication of its sacredness and inviolability since it is endowed for the sake of Him, although everything has already been in His ownership. Mulla Khusraw explains this by indicating that “the ownership of the wāqif perishes, as the ownership is deemed to belong to Allah Ta’ālā in a way that the benefits of mawqūf return to the slaves of Allah” (Shurunbulālī, n.d., p. 132). In that sense, as an economic reflection, detention implies preservation of all the potential benefits and usufructs that can be extracted from the mawqūf, through its withdrawal from any legal disposition or economic circulation.

At the second stage, these preserved benefits and usufructs are devoted to a charitable purpose that is stipulated by wāqif in actual sense. This devotion implies an act of *sadaqah jāriyah* that emphasizes the continuous and perpetual nature of giving for the sake of Allah the Exalted. The restriction of devotion for being made to a charitable purpose, makes an emphasis that the act of devotion should be done based on piety, which is related to the condition of *qurbah* as well. The emphasis on perpetuity and continuity has a vital implication that the withdrawal of the mawqūf from the economic circulation is done for the benefit of the charitable purpose, such as fulfilling the needs of the poor and needy, maintenance of masjids and madrasahs, reimbursement of hospitals and education facilities, or distributing food for the deprived. Thus, withdrawal does not make the mawqūf inactive, unemployed, or unproductive; instead, it leads to continuous extraction of usufructs from the mawqūf and expenditure of these usufructs for the public benefits, especially for the benefit of the poor and needy.

Hence, detention and devotion together, imply the withdrawal of mawqūf from the economic circulation in order to produce benefits in a perpetual and continuous sense to be spent on charitable purposes for the sake of Allah Ta’ālā in the form *sadaqah jāriyah*. Such a perpetual production would increase both the capital input and output level in an economy, whereas the benefits would be distributed to the mawqūfun ‘alayh through which the public welfare increases with a special emphasis on the welfare of the poor.

### 3.1.2. Waqf is for the Poor and Needy by Default

As a well-established principle in Islamic law of waqf, awqāf are endowed mostly for the poor and needy. If a founder doesn't stipulate any purpose for the waqf, the waqf becomes valid as its objective is accepted as serving to the poor and needy. In addition, the waqf that is endowed for the rich is not permissible, as the awqāf can only be endowed for three kinds that are the following:

- i. for the poor,
- ii. firstly for the rich, then for the poor,
- iii. for the poor and rich in common sense (Haskafī, 2002, p. 375).

In terms of the waqf that is endowed firstly for the rich, then for the poor we can mention the *dhurrī* waqf or a waqf for any other charitable purpose whose beneficiaries are the rich, however after there will not remain any beneficiaries, the waqf will become for the poor. As discussed in the previous chapter, the condition to endow for the poor in case of the cessation of the beneficiaries is a crucial element that affects the legitimacy of the waqf in Hanafī school. For the waqf that is endowed for the poor and rich in common sense, we can mention many examples of public facilities such as masjids, madrasahs, healthcare and education facilities, water supplies, fountains, caravanserais, cemeteries, or libraries. Hence, most of the awqāf that produce and provide public goods are made for the poor and rich in common sense.

This issue is also an extension of the conditions of perpetuity and *qurbah*, since perpetuity requires the existence of a non-interrupted purpose and that purpose should be charitable in order to satisfy the condition of *qurbah* —for the closeness to Allah the Exalted— as the poor and needy constitute the best and most common purpose<sup>9</sup> in that regard (Ibn 'Ābidīn, 2003, v. 6, p. 519). Thus, the poor and needy should take place among the beneficiaries of the waqf, whether it is done solely for them, or they are the secondary beneficiaries after the rich, or they are the beneficiaries together with the rich. These explanations proved that the waqf is for the poor and needy by default.

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<sup>9</sup> There are many waqf records in Ottoman Shari'ah Records that were endowed for different purposes, most of which are stipulated for the poor of al Makkah al Mukarramah or al Madīnah al Munawwarah in case of cessation of the beneficiaries.

Considering the definition of the poor, there is a dispute between the Hanafī school and the majority. In specifying the scope of the *zakāh* recipients that are stated in the holy Verse 60<sup>th</sup> in Surah al Tawbah, the poor and needy constitute the first two classes. In that sense, the measure of poverty is determined in terms of *nisāb* level in Hanafī school, whereas the majority prefers to take sufficiency (*kifayah*) as the indicator of poverty (Erkal, 2013, v. 44, p. 204). *Nisāb* level implies to have a total wealth, which are in the full ownership of the beneficiary that are of growing (*nāmī*) nature, apart from the basic needs after a lunar year passed from their acquisition (Erkal, 2013, v. 44, pp. 198-199). This level of *nisāb* indicates the richness for being a *zakāh* payer, however for being a beneficiary the condition of being of growing (*nāmī*) kind is not stipulated. On the other hand, sufficiency (*kifayah*) implies to have a total wealth, which is sufficient for a person to make a living for the needs of himself and his dependents (Erkal, 2007, v. 33, p. 140). These measures of poverty are deemed valid for all the other fiqhī issues that are related to the poor, including the Islamic law of waqf.

If the most fundamental purpose of waqf is the poor and needy by default, then the following question can be raised: Do awqāf target the poverty eradication or poverty alleviation? In Hanafī jurisprudence, waqf and *zakāh* resemble each other since waqf is also a kind of *sadaqah* (Ibn ‘Ābidīn, 2003, v. 6, p. 652). Since, the measure of poverty is being under the *nisāb* level in Hanafī school, it is *makrūh tahrīmī* to pay an amount that exceeds the *nisāb* level to the poor as *zakāh*. The same applies to waqf in terms of the payments done to the poor beneficiaries (Ibn ‘Ābidīn, 2003, v. 6, 652; Haskafī, 2002, p.380). There are two exceptions in that regard, which are the stipulation of the wāqif that is in favor of paying more than *nisāb* level to beneficiaries and the waqf for the poor relatives, since these kind of awqāf resemble to bequest (*wasiyyah*) (Ibn ‘Ābidīn, 2003, v. 6, p. 652). On the other hand, for the majority, since the measure of poverty is being under the sufficiency (*kifāyah*) level, a *zakāh* recipient can be given an amount that makes him rich and even adequate for make living with it throughout his life (Erkal, 2007, v. 33, p. 140). Moreover, both the poverty and richness are part of the predestination (*al qadr*) of Allah the Almighty that have been present throughout the history of humankind, as a part of the trial in the worldly life. Hence, poverty eradication can be deemed as an assertive claim that would make human beings to exceed their limits. Therefore, from the viewpoint of Hanafī school,

it would be more appropriate to conclude that the waqf targets poverty alleviation instead of poverty eradication, as only Allah Ta'ālā knows best.

In terms of economic reflections of this principle, the waqf revenues should be spent for the purposes that are stipulated by wāqif, which are supposed somehow to serve the benefit of the poor. Therefore, in economic terms, awqāf would target the welfare of the poor, through which the poverty alleviation can be achieved by the help of Allah Ta'ālā. In that sense, rising welfare levels of the poor would increase the household consumption levels and ameliorate the inequitable distribution of income in favor of them.

### 3.1.3. Sustainability of Waqf

Sustainability is one of the key concepts for the economic aspects of waqf, since it is an extension of the perpetuity condition. In order to be a perpetual *sadaqah*, the mawqūf should be ready for the extraction of usufructs from itself that are endowed for a pious objective in a continuous sense. This requirement is mentioned in the order of priority for the waqf expenditures in classical fiqh works. The first item of expenditure in the order of priority is the repair and maintenance, even though the wāqif does not stipulate for allocation of any resource for that purpose, it is obligatory (*wājib*) to repair the mawqūf at first (Haskafī, 2002, p. 372; Maydānī, 2014, pp. 460-461). If there is not any need for the repair, while the revenues exceed the stipulated expenditures, then the mutawallī has an authority to dispose of the extra amount for the benefit of waqf.

Therefore, sustainability is essential in the waqf for satisfying the perpetuity condition. In terms of its economic reflections, the factor incomes of awqāf—that constitute the return on mawqūf either in the form of rental income or revenues from their enterprises—should be firstly spent for the repair and maintenance costs. Thus, continuity of the mawqūf is provided for the extraction of usufructs on a perpetual basis. Another economic extension of this principle is to set a contingency reserve to a side for possible needs of the waqf, which in general changes within the range of 10%-20% of the revenues for the contemporary Turkish awqāf, including fused (*mazbūt*), annexed (*mülhak*) and new awqāf. Although such a reservation is not compulsory in absolute sense if the wāqif does not stipulate, stipulation of the

contingency reserve would be a pertinent act for the sustainability and perpetuity of the waqf.

### 3.1.4. Preference Criterion is “More Profitable for the Waqf and More Beneficial for the Poor”

The last Sharī’ah principle we can detect from the classical fiqh texts that would have an economic reflection, provides a preference criterion for mutawallī to make the right decision for making a return on the mawqūf among the alternative permissible options. In accordance with this criterion, the mutawallī or the nāzir should choose the option, which is more profitable for the waqf and more beneficial for the poor<sup>10</sup> within the constraints that are stipulated in the deed of the waqf (al Trāblusī, 1981, p. 67). This issue is mentioned in the context of the methods of making return on the mawqūf, such as *ijārah*, *muzāra’ah*, or *musāqāh*.

Sometimes, this principle might work even though the stipulation of the waqif contradicts with it. In normal terms, the classical position indicates that the leasing contract for the waqf lands can only be done for one year<sup>11</sup>, except the situations in which the stipulation of wāqif allows it, or the nature of the plant requires to be harvested once in two or three years (al Trāblusī, 1981, p. 67). This is because the lessee can suppose himself as the owner of the mawqūf, a valid detection especially in case the mawqūf is a house (al Trāblusī, 1981, 67). If the wāqif stipulated that the land cannot be leased more than one year and the people do not show interest in this land because of the time limit, then the mutawallī cannot lease out the land for more than one year, even though it is more profitable for the waqf and more beneficial for the poor. However, if the issue is brought to the qādī in Sharī’ah court, then it is at the

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<sup>10</sup> The expression in *al Is’āf* is the following:

”قال و لو لم يذكر في صك الوقف إجارتته فرأى الناظر إجارتته أو دفعه مزارعة مصلحة قال الفقيه أبو جعفر رحمه الله ما كان أدر على الوقف و أنفع للفقراء جاز له“

(al Trāblusī, 1981, p. 67).

<sup>11</sup> In the Ottoman Empire, as a rule changing practice, the long-lasting leasing (*al ijārah al tawīlah*) as a part of the *ijāratayn* contract became a widely used method for the leasing of waqf lands, as it increased the duration of leasing up to the lifetime of the lessee.

discretion of qādī to lease out the mawqūf for more than one year, although the wāqif did not stipulate it. Because leasing out the mawqūf for more than one year in that case is more profitable for the waqf and more beneficial for the poor, as the qādī has the responsibility of guardianship (*wilāyah al nazr*) for the poor and the death (al Trāblusī, 1981, p. 68).

This principle can be taken as a maxim, through which the preference criterion among the permissible options for the mutawallī becomes the one that is more profitable for the waqf and more beneficial for the poor, within the constraints that are imposed by the stipulations of wāqif. In economic sense, this principle would mean that the waqf can maximize its revenues within the constraints imposed by the glorious Sharī'ah and stipulations of wāqif, as the most important expenditure item of these revenues should be the poor, together with the purposes that the wāqif endowed with. This principle increases the range of the sadaqah as much as possible, so that the waqif can get the highest reward from his charity by the mercy of His Lord and the poor can get the highest benefit. In that sense, waqf can be deemed as the most eligible economic agent for the revenue maximization, so that the waqif can utilize from their rewards in the Hereafter and the poor from their benefits in the world. Hence, the permissible option that is more profitable for the waqf and more beneficial for the poor is the one that is the most preferable among the other permissible alternatives.

Up to this point, we tried to mention some fundamental fiqh principles of waqf that might have economic reflections in order to frame its economic role in a theoretical sense. In that sense, the cornerstones for understanding the economic role of waqf can be summarized as follows:

- i. the real meaning of waqf in Sharī'ah can be described with two main elements, which are the detention of property and devotion of its usufruct as *sadaqah* on perpetual basis as well as the intention of *qurbah* that should be apparent in the charitable purpose,
- ii. the first and foremost purpose of the waqf is serving to the poor and needy, as it would serve to the other segments of the society to a certain extent,
- iii. the expenditure of first priority is the one that provides the sustainability of waqf, as an extension of the perpetuity condition,

- iv. among the permissible alternatives, the most preferable option is the one that is more profitable for the waqf and more beneficial for the poor within the constraints of the glorious Sharī'ah and the stipulations of wāqif.

Based upon these cornerstones, we might reach the following economic conclusions:

- i. the awqāf should operate on the basis of their returns on assets that should be earned through the permissible ways in Sharī'ah, in a most profitable sense within the constraints imposed by the Sharī'ah and the stipulations of the wāqif,
- ii. the primary role of waqf should be caring the poor and needy through fulfilling their needs and thereby increasing their welfare,
- iii. in consideration of (ii), awqāf would contribute to poverty alleviation, consumption of the bottom income groups, and a more equitable distribution of income,
- iv. awqāf would contribute to the welfare of all segments in the society through their public services,
- v. awqāf can increase the capital input and production capacity of the economy, through which the value-added and the production level rise,
- vi. the awqāf serve all these objectives on perpetual and continuous basis,
- vii. all these conclusions should be observed for the sake of Allah Ta'ālā.

In conclusion, in this section, we tried to discuss some fundamental fiqh principles of waqf and their possible economic reflections, through which we can evaluate the contemporary economic arguments on waqf, as only Allah the Almighty knows best.

### **3.2.The Contemporary Discussions on Economic Aspects of Awqāf**

Through the rise of economics as a science in the west, the Islamic world started to be influenced from the effects of this fresh discipline. The first reflections of such influence showed itself by the first half of 19<sup>th</sup> century in the Ottoman lands through intellectual treatises and state policies. This recently developing way of thinking that is based on the isolation of “economic things” from the “other spheres” of life, led

some to evaluate the *raison d'être* of the institutions or behaviors solely on “economic” grounds, as *awqāf* were also affected from the conclusions of such an approach. This tendency was evident in the colonization efforts of France and England.

French occupied the North Africa in 19th and Levant in the beginning of 20<sup>th</sup> century, both of which was witnessed the mentality of the colonialists against the Islamic perception of property in general and *waqf*. Since the *waqf* lands—which corresponded to roughly half of the occupied territories—in Algeria were outside any economic transaction, they did not provide benefit in the eyes of occupiers (Moumtaz, 2021, p. 50). This is a stubborn obstacle for the occupiers, since the *waqf* system removed large amount of land from the free market and thereby posing a threat for their big cause, that was called “economic progress” (Powers, 1989, p. 540). On the occasion of *waqf* legislations in 1843 and 1859, the “public *awqāf*” are abolished since they provide public services and the provision of these services was the responsibility of state as an extension of centralization (Moumtaz, 2021, p. 50). Among the *awqāf* assets, only the religious buildings were the exceptions, as the other *awqāf* assets were henceforth subjected to “economic transaction”. The inspiration by the western economic theories led modern advocated of reform—both Muslim and non-Muslim—to raise economic, moral, religious and legal objections to *waqf* system, as these objections targeted the *dhurrī* (family) *awqāf*, which were held responsible for being obstacles against the nation’s economic development by confining large quantities of its capital resources (Powers, 1989, p. 538).

Later, a movement in Anglo-American legal thought arose named as “*Rules against Perpetuities*” which does not accept the usage of legal instruments like trust or will for a person to dominate over the ownership of private property after his lifetime. Trusts were on the firing line, as this movement attacked to their perpetuities, except the ones that are made solely for charitable purposes (Kahya, 2021, p. 225). This approach was in parallel with the colonial attitude of the English in the territories that they occupied, especially in the Muslim world, such as India and Zanzibar. Their main point of aggression in these lands was the *dhurrī* *awqāf*, since they were not perceived as being endowed for solely on charitable purposes and gives to the owners the power to determine the ultimate devolution of their property in their minds (Powers, 1989, p. 556). As in the case of French, the colonial English declared that “no court in the british empire might uphold a Muslim family endowment” (Powers, 1989, p. 560). The

situation was also similar in Zanzibar, as the main attitude of English occupiers were to establish control on dhurrī awqāf and the khayrī awqāf —most of which were endowed for masjids— through seizing administration of their assets and transferring their revenues to the state as a result of centralized provision of public services — especially for masjid upkeep— as well as seizing power against the local groups (Oberauer, 2008 p. 326; 340).

Two reasons among the others that influenced the understanding of colonialists was their conception of property and their indispensable ideal towards economic progress, as the two important components of their worldview (Moumtaz, 2021). As an extension of the absolute conception of property that assigns the ownership to the human beings in an ultimate sense, French civil code of 1804 did not include any clause that was relevant to trusts, since each property in the world should be owned by someone (Kahya, 2021, p.229). Their occupation that took place in Algeria and Levant was going to be a striking example of this understanding, since the new subject of their view against their trusts became the awqāf in Muslim lands (Kahya, 2021, p.229). Thus, the meaning that the concept of “property of Allah” represents would be evaluated as a touchstone in order to distinguish the legal thought of Muslims and the colonialist powers in particular and their worldviews in general.

This understanding was in line with a frequently cited economic theory that envisages the circulation of economic resources is the key for economic progress, as all the obstacles in that regard must be removed (Kahya, 2021, p. 225). Since waqf is a detention of property and devotion of its usufruct as *sadaqah*, it requires the withdrawal of certain economic resources from the circulation, which contradicts with such an understanding. Hence, the second reason behind their aggression to waqf was raised totally on economic grounds, which aimed to abolish all the supposed obstacles against economic progress including awqāf and demeaned their meaning into the economic sphere, through which its much more important religious character started to disappear.

For Ottoman lands in 19<sup>th</sup> century, one can encounter with the similar ideas as well. Starting from the establishment of *Evkâf-ı Hümâyun Nezâreti* (Ministry of Awqāf) in 1826, through which many awqāf assets were transferred under the state administration, the utilization of waqf assets became a vital issue. Together with this institutional transformation that led by the change in administrative logic of awqāf, the

transformations in the mentality of intellectuals. The transformations were even attempted to be based on the fiqhī ground, especially for the issue of *istibdāl* (substitution) of the awqāf assets in exchange of cash. One of the main motivations behind the transformation in their mentality is the western enlightenment and cause for economic progress that led them to attempt to reconcile the Islam through the recently developing concepts (Kahya, 2021, p. 217). The new discourse that was developed by these figures—who were mostly the members of *İttihat ve Terakki Cemiyeti* (Society for Union and Progress) such as Abdullah Cevdet, Celal Nuri and Ziya Gökalp—deemed certain axioms of the western modernization as indisputable, whereas it subjected some of the traditional Islamic institutions to an analysis of legitimacy, including the waqf (Kahya, 2021, p. 217). Under the influence of the western economic theories that were at developing phase, their first attempt of aggression was towards the dhurrī awqāf, along the lines of the theoreticians of the ideas that they admired, who were mostly the English and the French (Kahya, 2021, p. 219). In that sense, they refused to live in a world that is shaped and controlled by the “dead hands” of their forefathers (Kahya, 2021, p. 224); an intellectual extension of which will find voice in a harmless-like manner in the beginning of the 21<sup>st</sup> century by Timur Kuran<sup>12</sup> under the name of “static perpetuity” (Kuran, 2001, p. 861).

Another attempt of aggression was towards the decentralized provision of public religious and education services by the awqāf in the cause of centralization efforts, through supporting the excessive *istibdāl* (substitution) proposals (Kahya, 2021, p. 222). These campaigns made a call to the government for the seizure and sale of the assets of khayrī awqāf such as masjids or schools, so that the government would have adequate sources for financing these public services on centralized basis. One of the vigorous advocates of these proposals was Hammâdezâde Halil Pasha who became a minister of awqāf in *Evkâf Nezâreti*. There have been several *istibdāl* attempts for the

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<sup>12</sup> There are also critical studies, such as Kuran (2001), that criticize the awqāf in terms of certain points besides the withdrawal of resources from the economic circulation, such as provision of public goods, efficiency in administration, static perpetuity and legal personality. However, it should be noted that, Kuran (2001) did not support his arguments with historical evidences.

waqf libraries most of which took place in great masjids, however *Fetvâhâne* refused all these proposals and attempts of *Evkâf Nezâreti*, through defending the classical view against these illegitimate practices (Kahya, 2021, pp. 236-248).

When it comes to the beginning of the 20<sup>th</sup> century, the anti-waqf arguments that were raised on economic grounds started to be a subject of higher education courses, one the most important of which is the *Ahkâm-ı Evkâf* (rulings of awqâf) course taught by Elmalılı Muhammed Hamdi in *Mekteb-i Mülkiye-i Şâhâne* (Imperial School of Political Science). Elmalılı, as a great faqîh and mufassir who acceded to the minister of awqâf for six months, responded to criticism against awqâf that were made on religious, social and economic grounds. In terms of the criticism on economic grounds, he replied to the over told argument that withdrawal of resources from the economic circulation is a threat for the public wealth. He explained the certain exceptions of this proposition. Firstly, in order for this proposition to be valid, in the free-market economies, the competition structure should be adequately powerful to prevent the market imperfections so that the higher volumes of circulation would result in the economic welfare. However, in the absence of such an environment, the local assets can be taken in the possession of the economically powerful foreigners that would crack the door open for economic and political invasion of the country (Öztürk, 1995, p. 139). His another point of objection to this proposition was the circulation of properties that provides utility for the general public, as this was one of the important issues that is controversial in his time (Öztürk, 1995, p. 139). In addition, he added that the free and widespread circulation of real estates would result in the confinement of these properties in the hands of monopolists, through which such a circulation would pose a threat for the general welfare of the society (Öztürk, 1995, p. 139). However, as confinements that are in favor of the general welfare of the public, the withdrawal of these resources from economic circulation in the form of awqâf would undoubtedly be a preferable way in that regard (Öztürk, 1995, p. 139).

Furthermore, he elaborated his critics by mentioning the difference between the value added through circulation and value added through production. The frequent circulation of a farm would not be deemed as real value added, instead the real value added can be produced though the transfer of this farm to a person who is capable to develop and improve it, as the circulation of such properties can only be for this

purpose<sup>13</sup> (Öztürk, 1995, p. 139). Hence, the property that finds his owner in that regard, becomes free from circulation, and starts to produce value added through which the general welfare would increase. Therefore, from this point of view, it is clear that the real threat is not the awqāf, instead it is being devoid of them, as the source of loss is not them rather it is the ambition of human beings towards the acquisition of wealth (Öztürk, 1995, p. 139). Consequently, the counter arguments of Elmalılı shows the weak basis of the circulation argument on theoretical basis, as he stressed that the real value of economic utility is not stemming from their own, rather they are the means to provide welfare that serves real and humane objectives (Öztürk, 1995, p. 140), as the awqāf are among the good examples of such means.

In that regard, although it took place in the late 20<sup>th</sup> century, Zarqā (1997) made important contributions that timely address the critical arguments against waqf that are mounted on economic grounds. Against the circulation argument, he started with acknowledging the value of goodness and efforts that made for the sake of Allah Ta'ālā, as “it is not valid to evaluate everything with the scale of economics, since the objective of the Ummah is not material in absolute sense” (Zarqā, 1997, p. 18). He emphasized that awqāf provide the public services that aim to increase public welfare through the confinement of certain resources. However, the government provides its public services through the confinement of some state revenue items that are designated for public welfare as well. Secondly, if there is an economic loss because of the withdrawal of resources from circulation, the public benefits that awqāf provide correspond to much more than these losses compared to the situations in which the government designates certain resources for this purpose either in the form of confinement or direct expenditure (Zarqā, 1997, p. 18). Notwithstanding his counterarguments are adequately challenging for the circulation argument, Zarqā objected to evaluate the issue solely on economic grounds since “the floor is not only

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<sup>13</sup> A very similar idea was expressed by Ali Himmət Berki, as he indicated that: “a value which is produced through the development of a real estate is undoubtedly more significant than a value which is produced through the exchange. Therefore, the problem does not stem from endowing a property, instead it stems from neglecting to use it in a beneficial way. If a waqf real estate were not developed and used in a most beneficial sense, then it would be dangerous in economic terms” (Berki, 1946, pp. 7-8).

economics’, there are other public benefits which are non-material in their nature, as they have a greater value in the scale of Shari’ah” (Zarqā, 1997, p. 19). His contribution in that regard is important together with that of Elmalılı, which provide very fruitful insights for the stance of Islamic economics on the economic role of awqāf.

The economic discussions on awqāf came to a new state by the rise of Islamic economics as a new discipline at the end of the 20<sup>th</sup> century<sup>14</sup>. Although there were several studies in literature of Islamic law and economic history, it can be said that waqf studies in the Islamic economics literature emerged in 1980s (Islahi, 2003). Among the ones which elaborate the economic role of awqāf to a good extent, one can mention Kahf (2000), Çizakça (2000), Zaim (1992), and Sadeq (2002).

In explanation of the economic concept of waqf, Kahf defined the waqf as a transformation of properties from consumption into investment in productive capital goods that produces benefits and revenues that can be consumed in future, either socially or individually (Kahf, 2000, p. 66). It includes both the elements of saving and investment, since it combines the withdrawal of properties from present consumption and transformation of them into investment that aims to increase the productive wealth in the society<sup>15</sup> (Kahf, 2000, p. 66). This productive wealth produces services and benefits for society, either in the form of place for salāh in the masjid, or a sickbed in the hospital or a place of study in the madrasah. On the other hand, it can produce goods and services that can be sold to households, for their revenues to be spent for the objectives of waqf. In that sense, endowing a waqf is similar to establishing an economic cooperation (Kahf, 2000, p. 67), with a crucial difference that the former should have a pious objective that can be realized for the sake of Allah Ta’ālā. In addition, waqf is developmental by its nature, since it is a sacrifice from the present consumption in exchange for increasing the productive capital of the society, which will in turn contribute to their welfare and the welfare of the future generations (Kahf,

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<sup>14</sup> For the waqf studies that are cited in this dissertation, especially in terms of the Islamic economics and finance literature, we benefit from Islahi (2003), Saiti et. al. (2021), and Sukmana (2020).

<sup>15</sup> Elmalılı has a similar stance in that sense, he indicated that “waqf, in absolute sense, is assigned to production (*istighlāl*), not to residence (*suknā*) (Elmalılı, 2020, p. 83).

2000, p. 67). This development nature of waqf is an extension of its perpetual character, as this perpetuity is a confinement of the mawqūf from sale and consumption on one hand, and its prevention from being unproductive on the other (Kahf, 2000, p. 68).

Another contribution of Kahf (2000) is the classification of awqāf into two main categories that are relevant in economic sense, such as direct awqāf and investment awqāf. Direct awqāf represent the ones that produce public services that can be directly consumed or distributed in the form of transfer payments to the poor and needy, whereas the investment awqāf constitute the ones, which produce goods and services that are permissible in Sharī'ah in order to spend their profits for the pious objectives that were stipulated by their founders (Kahf, 2000, p. 68).

On the other hand, Çizakça (2000) emphasized the economic role of awqāf, especially in terms of public finance. Since awqāf historically provided the education, healthcare and other public services at no cost to the government; it would lead to reduction in government expenditure that in turn decrease budget deficit and government borrowing, as the privately accumulated capital is voluntarily endowed to finance public services (Çizakça, 2000, p. 2). In that sense, awqāf can decrease the tax burden through which the consumer and producer surplus would rise whereas the dead weight loss of taxes would fall. Lower taxes would influence aggregate production positively and reduces the costs, as lower prices would lead to a non-inflationary growth (Çizakça, 2000, p. 3). Furthermore, awqāf would also address the problem of under supply of public goods, which is deemed a problem of contemporary economies (Çizakça, 2000, p. 3). In addition, awqāf would contribute to have a more equitable distribution of income within the society through voluntary endowments of the wealthier instead of taxation of all income groups (Çizakça, 2000, p. 2). Çizakça (2000) pointed out that all these effects can be the case under the assumption of efficient and prudent administration of awqāf (Çizakça, 2000, p. 3).

In addition, although it does not take the attention of the non-Turkish readers, Zaim (1992) presented a nice monograph for the economic role of awqāf within an understanding that is framed by their delicate and religious character in the context of contemporary Turkish legislation of waqf. He emphasized that the awqāf, as an economic enterprise at microeconomic level, should operate in a rational, efficient and profitable way that they can increase the welfare of the society and ameliorate the

income distribution (Zaim, 1992, p. 9). They influence the distribution of income since it confines the privately owned property for the welfare of the society. Zaim (1992) provides a plenitude of arguments relevant to economic role of awqāf, whose possible macroeconomic consequences are as follows:

- balanced growth through influencing allocation of resources, rise in employment and redistribution of income,
- accelerated development through improvement of infrastructure,
- through making investments in the fields of education, healthcare and urban development, help the public investments to shift towards more economic fields through which the state can be economically more powerful,
- helping to provide social and economic of stability by increasing the life standards of the poor and widening the range of middle-income groups,
- a more balanced allocation of resources in terms of the needs of the individuals and the society, through balancing the private and social marginal revenue,
- increasing social welfare through diverting the resources from luxury consumption to wage goods or socially beneficial investments (Zaim, 1992, pp. 9-13).

Moreover, in terms of economic role of awqāf, Sadeq (2002) elaborated their impact on poverty alleviation and socio-economic development for resource poor countries. He stressed the perpetual character of waqf and its relationship with poverty alleviation and general welfare within a multi-dimensional approach that does not approach to poverty solely on the basis of income. Since poverty involves education, health, shelter and access to resources and physical facilities as well, he suggests planned role of awqāf in poverty alleviation through the provision of educational facilities in all levels, medical facilities as well as physical and infrastructure facilities and utilities (Sadeq, 2002, p. 148).

We can summarize the fundamental economic ideas on awqāf from the contemporary studies mentioned above as follows:

- a. awqāf, through the withdrawal of resources from economic circulation, do not pose a threat for the welfare of society, since they produce continuous benefits that increase the social welfare on perpetual basis,

- b. awqāf increase the production capacity through contributing to capital stock and factor inputs in an economy on continuous basis, thereby increase the social welfare,
- c. in economic sense, awqāf can be classified into two main categories which are direct waqf that produce public services that can be directly consumed or distributed in the form of transfer and investment waqf which produces goods and services that are permissible in Sharī'ah to spent on the objectives of their founders,
- d. as they are providing public goods and services at no cost to government, awqāf can reduce the government expenditure that in turn decrease budget deficit and government borrowing. Also, they would decrease the total tax burden and thereby contribute to welfare gains,
- e. through their contributions that primarily target the poor and middle-income groups, awqāf can contribute to poverty alleviation and more equitable distribution of income,
- f. via influencing allocation of resources, rise in employment and redistribution of income, awqāf can contribute to economic stability and achievement of balanced growth path,
- g. awqāf can increase social welfare by diverting the resources from luxury consumption to wage goods that aim to satisfy basic needs or socially beneficial investments,
- h. although the above-mentioned points reflect the economic role of awqāf to certain extent, the importance of awqāf cannot be confined to economic sphere, as their meaning and contributions are much more important than of the economic ones on the scales of Sharī'ah.

An attempt to locate the contemporary economic views within the framework that is presented by the economic reflections of classical fiqh principles would provide fruitful insights:

- i. detention or confinement of a property requires the withdrawal of this resource from the circulation, however through an efficient administration—that is inspired from more beneficial to the poor and more profitable for the waqf principle—on one hand, and improvement of production capacity in the economy on the other, the withdrawal of the asset would contribute

- more to the social welfare and divert resources from luxury consumption to the socially more beneficial ones,
- ii. as the primary and indispensable objective of waqf is for the poor and needy, it would have positive impact on poverty alleviation and more equitable distribution of income,
  - iii. since the sustainability of awqāf is at first order priority, it leads awqāf contributions would be provided on continuous basis,
  - iv. observance of more beneficial to poor and more profitable for waqf criterion would alleviate the inefficient provision of public services done by government to a certain extent, through which the social welfare would rise, especially the welfare of the poor,
  - v. all the economic benefits of awqāf and its macroeconomic reflections should be aimed with the intention of *qurbah*, whose elements must be apparent in the waqf objectives.

As a cautious reminder, investigating the economic role of awqāf should not lead one to understate their pious contributions by witnessing their low levels of macroeconomic impact and criticizing them on economic grounds. If the awqāf have a low impact on economic variables, this situation does not reduce the importance of their services, since each of these services are done for the sake of Allah Ta'ālā. In that regard, very humble contributions in economic sense would be extremely more valuable in the sight of Allah the Almighty because of the sincerity and intention of the wāqif. Thus, as one of the arguments of this dissertation, de-emphasizing the awqāf contributions on economic grounds would be a dangerous shortcoming of an economic analysis of awqāf, both in theoretical and empirical aspects. Hence, this dissertation humbly tries to discuss the economic role of awqāf while not degrading the importance of any contribution that they made.

### **3.3. Literature Review on Recent Studies for the Economic Role of Awqāf**

After the theoretical studies that are mentioned in the previous section, it would also be beneficial to mention the recent studies on awqāf in Islamic economics and finance literature. The focus of these recent studies is based more on financing through cash, integration of waqf with zakāh and with Islamic microfinance practices, the possible contributions of cash awqāf to government debt, the position of waqf ventures in a

circular economy framework with zero-waste strategies, and sustainable waqf-based financing models. These studies would elaborate the economic role of awqāf to certain extent in terms of both theoretical and empirical aspects.

Mohsin (2013) mentioned different cash waqf schemes that have been implementing in different countries and developed a framework for a financial institution that is based on cash waqf to be implemented in Muslim and Muslim-minority countries. These different schemes are waqf shares scheme, deposit cash waqf scheme, compulsory cash waqf scheme, corporate waqf scheme, deposit waqf product scheme and co-operative waqf scheme (Mohsin, 2013, pp. 306-313). Among these schemes, Mohsin (2013) emphasized that among these schemes the one that has been implementing in Turkey is the corporate waqf, as she emphasized the important role of corporate waqf in Turkish economy through mentioning the Sabancı Foundation.

Khan (2007) explains the faith-based components of the third sector in a Muslim society and the possible ways that the third sector can contribute to poverty reduction programs, as his discussions are concentrated on two fundamental institutions that are based on zakāh and awqāf. He stressed that the awqāf are ceased to perform their functions in an effective way in the contemporary set-up, as two foremost problems behind this situation are the idle waqf properties and lack of legal protection for the waqf assets in many Muslim countries (Khan, 2007, pp. 15-16). Similar to Sadeq (2002), Khan (2007) suggested a framework for awqāf to alleviate poverty through education, skills and micro entrepreneurial Development, healthcare care, and water and sanitation facilities in rural areas (Khan, 2007, p. 17).

Alpay and Haneef (2015), on the other hand attempted to integrate waqf into Islamic microfinance practices for poverty reduction in Malaysia, Indonesia and Bangladesh. They found out that waqf resources contribute positively to Islamic microfinance in Bangladesh, however not in Malaysia and Indonesia. Hence, through this positive relationship between the waqf and Islamic microfinance, waqf is supposed to have an impact on poverty alleviation. The authors indicated that the lack of information about the concepts of waqf and project financing due to the non-usage of waqf in Islamic microfinance practices in Malaysia and Indonesia, might be the possible reasons behind their findings. In addition, Zarka (2013) also contributes to the discussion through proposing a monetary (cash) waqf framework for providing micro finance to

the productive poor. Another contribution in that regard is Kachkar (2017) that proposes a cash waqf model for extending microfinance to refugees.

Moreover, Masyita (2007) simulated the potential of cash awqāf for poverty alleviation in Indonesia by developing a model that is based on system dynamics approach. As an important attempt to model the economic outcomes of the zakāh and awqāf, this study envisages two important kinds of fund, that are “zakāh fund as a buffer against poverty and cash waqf fund as a motor of the economy” (Masyita, 2007, p. 33). Based on various scenarios, Masyita (2007) proposes that these two funds should be jointly implemented for poverty alleviation program in Indonesia. As a similar attempt for Malaysia case, Shamimi et. al. (2013) developed another model using system dynamics approach for understanding the potential contributions of cash waqf to poverty alleviation in Malaysia. The study concludes that “poverty can be reduced by almost half in over 30 years, government can save up to RM13 billion and over 500,000 employment opportunities would be generated” (Shamimi, 2013, p.150) however this would be an exaggerated result when the real economic constraints are taken into consideration. Despite this aspect, Shamimi et. al. (2013) also proposes an important attempt to explore the potential contributions of cash awqāf to poverty alleviation in Malaysian economy.

In terms of the extensions of cash waqf for public debt, Ambrose et. al. (2019) developed a Dynamic Stochastic General Equilibrium (DSGE) model for Malaysia economy, together with a cash waqf that is financed through the households for the provision of public goods and services. As a significant contribution that spent a good effort for exploring the potentials of cash waqf in public finance, the study found out that waqf financing decreases public debt. It decreases the public debt through two main channels that are partial provision of public goods and services at no cost to government as well as internal financing from waqf has been acquired (Ambrose et. al., 2019, p.12). It should be noted that the research question and findings of Ambrose et. al. (2019) show a parallelism with this dissertation to certain extent.

Khan (2019) elaborates the position of waqf ventures in a circular economy framework with zero-waste strategies. In the course of replacing “the current waste-driven linear economy paradigm with a new zero-waste halal circular economy paradigm consistent with the Islamic vision of entrepreneurship” the paper assigns “a new purpose to waqf as a venture waqf with a predetermined exit strategy, to make impactful (zero waste

halal) small businesses successful” (Khan, 2019, pp. 203-204). In parallel with Khan (2019), Ari & Koç (2021) investigates alternative equity-based financing models through a waqf-owned financial intermediary. In that regard, Ari & Koç (2021) show that waqf-owned financial intermediaries decrease the wealth inequality remarkably, whereas its conventional counterparts increase. In addition, in terms of capital pooling, they found out that restructuring the waqf-owned financial intermediaries have better implications compared to the conventional waqf system. Hence, this study elaborates the scope of sustainable financing models through introduction of waqf-based financial intermediaries.

Budiman & Kusima (2011) descriptively emphasized the economic significance of awqāf on macroeconomic view, as the main points of economic significance for awqāf can be classified as enhancing economic progress, reducing government expenditure, eradicating poverty, preventing deficit financing, and restoring distribution of income. As another contribution for the role of awqāf on poverty reduction, Saiti et. al. (2019) compares Malaysian and Bangladeshi experiences of cash awqāf and proposes a cash waqf model for reducing the poverty in Somalia. They concluded that waqf is viable and can reduce poverty among less privileged Somalis.

Sulaiman & Zakari (2017) investigates the financial sustainability of the waqf institutions that are managed by the state in Malaysia. They evaluated seven state-managed waqf institutions in accordance with their equity balances, revenue administrative costs, concentration, and operating margins. Among seven state-managed waqf institutions, they found out that only one waqf institution is operating in a financially sustainable way in all the four components. Hence, although the financial healthcare of the other state-managed waqf institutions are satisfactory, this study might reflect the potential inefficiencies that would be the case for waqf management in general and state management for waqf assets in particular.

For waqf universities, Mahamoud & Ab Rahman (2015) highlight the importance of waqf financing in higher education through sharing the experiences of Turkish and Malaysian waqf universities. They concluded that, especially through the scholarships that they provide, waqf universities can be alternative sources of funding for universities, as their benefits are not limited only to students, instead they provide benefit to the society as well. In that regard, as another contribution for waqf

universities, Mohammed et. al. (2020) investigate the application of waqf to higher education and compare the Turkish, Malaysian and Indonesian experiences. In terms of education waqf models, they mention state waqf-funded model, corporate waqf-funded model, cash waqf-funded model, and alumni waqf-funded model. They concluded that the dominant education waqf model in Turkey is the corporate waqf-funded model. In addition, in terms of the deficiencies of waqf universities in these countries, the authors suggested reforms on regulatory framework, sustainability of funding, management, innovation and collaboration (Mohammed, et. al., 2020, p. 204).

In terms of the current state of awqāf in Turkey, Babacan (2011) presents a historical development of waqf system and inefficiencies associated with the waqf system in Turkey. As an institution, which has been historically more than a charitable organization, the study evaluates waqf as an economic agent and historically investigates its role in provision of public goods and protection of property rights. It also refers to the reasons of decline of economic role of awqāf starting from 19<sup>th</sup> century. On the other hand, Shafii et. al. (2015) compares the governance regulatory framework of waqf with reference to different country examples including Turkey, Indonesia, Malaysia, India, and US.

Çizakça (2016) evaluates the foundational aspects of Islamic awqāf in Turkey and Malaysia including management and legislative processes in a comparative sense within an understanding that analyzes their historical development from destruction to restoration of waqf properties, especially with reference to first 40 years of Turkish Republic. Çizakça (2016) mentions the developments towards the improvement of waqf system in Turkey, especially after 1967, which he defines a turning point for the re-birth of the Turkish awqāf.

Saad et. al. (2017), in the same direction compares the awqāf in Malaysia and Turkey by analyzing the similarities and differences through different case studies. They found out that “both waqf institutions in Malaysia and Turkey concentrate their activities on education as one of the ways to improve socio-economic conditions of the society in the long run” (Saad et. al., 2017, p. 27).

These studies would elaborate the economic role of awqāf with reference to corporate waqf, waqf universities, poverty alleviation, provision of public goods, restoring the

distribution of income and the current state of Turkish awqāf to certain extent, as only Allah Ta'ālā knows best.

### **3.4.The Role of Awqāf in Provision of Public Good**

After presenting the survey of classical principles and contemporary discussions on the economic role of awqāf, this section is an attempt to distinguish the economic role of awqāf in provision of public goods compared to government and non-profits.

The question for understanding the role of awqāf in provision of public goods is deemed important since it has unique features and advantages compared to government on one hand, and this question would help us to understand whether awqāf are independent economic agents, which can make final consumption expenditures for serving the households on the other.

#### **3.4.1. Comparison of Awqāf and Government in the Provision of Public Goods**

Awqāf, are assumed as economic agents, which make final consumption expenditure for serving to households, whereas they make transfers to other economic agents, pay taxes to government, and make savings in order to make physical capital investment. In order to understand whether the waqf, in the way that it is defined in Sharī'ah, is capable to make final consumption expenditure or not, the following question would be beneficial: what is the difference between the services provided by the government and by the awqāf in economic terms?

In order to answer such a question, one should firstly distinguish two different aspects in the provision of public services, which are finance and expenditure. The finance of the services provided by government is realized through tax collection, which means that the taxpayers are contributing to financing these services in order to benefit from them. Since taxpayers consist of households and firms (which correspondingly belong to the households), one can easily reach the conclusion that the finance of the services provided by government is done by the households. In the second step, through the resources collected from the households, the government makes the expenditures. Hence, households finance the public services, whereas the expenditures are done by the government.

On the other hand, for the awqāf, the financing activity consists of two different levels which are direct or indirect financing. Firstly, not all the households contribute to the

financing for benefiting from public services, rather some households sacrifice from their wealth and future consumption for the sake of Allah Ta'ālā to serve the others. This is the direct contribution of the households for the finance of public services. Secondly, households indirectly contribute to finance of public services when they are making their daily economic transactions, through which the awqāf assets produce added value, provided that the mawqūf is capable for this purpose. In that regard, there are two different kinds of mawqūf in which the daily economic transactions of households contribute to waqf revenues in full sense—as such in waqf of agricultural land in which all the products are endowed, corporate waqf, or a store that is endowed with all its revenues—and in limited sense—as such in waqf of the rental revenues of a store, a land, or a house. Thus, value added acquired through the economic transactions of households return to the waqf objective, such as serving the poor and needy, recitation of Holy Qur'an for oneself after his death, education, or health.

In order to understand the distinction between the government and awqāf in that sense, the following example would make sense. Consider an economy, in which there are ten households and one government, as the sole public service that is provided by the government is education. The government collect taxes from eight households in order to pay the wages of two teachers, as well as to build the education facilities and to supply the education materials and equipment. In that case, the finance of education is realized through the taxes collected from eight households, as the government make expenditures for the social welfare. On the other hand, consider another scenario in which one of the households endow his store with all its revenues, whose rental income is to be spent to finance education services for the sake of Allah Ta'ālā, and another household rent this store for *his own need*. Other households buy *their needs* from the store, as the revenue is channelized to finance the education services on partial or full basis in accordance with its capacity. This example represents both the direct and indirect finance of public services by households through waqf, in which the daily economic transactions of households contribute to waqf revenues in full sense.

A similar conception applies for the other types of widely used awqāf assets, such as land, house or other kinds of real estate in a limited sense, since for these kinds of awqāf, only the rental revenues are endowed and correspondingly the final expenditures of households only finance the public services at the rate of their rental prices. In that sense, the second kind of awqāf is more common throughout the Islamic

history and they are based on waqf of real estate rental revenues, Allah Ta'ālā knows best. As mentioned in the Sharī'ah aspects of waqf chapter, real estates have constituted the primary waqf assets since the first waqf that was endowed by Rasūlullah ﷺ was an orchard, as an established point in the Hanafī interpretation of Islamic law of waqf<sup>16</sup>.

Thus, all the households do not make contribution for financing the education services in order to benefit from them, instead they indirectly finance while they are making their daily economic transactions either in full or limited sense in accordance with the kinds of awqāf. Consequently, households are required to pay taxes in order to get an education service provided by the government, whereas they are not required to make any additional contribution to benefit from these services; the only difference is the sacrifice of some households from their wealth or future consumption for serving to the others for the sake of Allah Ta'ālā. Whether the public services financed by awqāf are the substitute or the complement of the public services financed by government is dependent to the size of awqāf resources and the demand for public services.

#### **3.4.2. Comparison of Awqāf and Nonprofits in the Provision of Public Goods**

Another important issue that can be raised is the points of distinction and intersection between the concepts of awqāf and nonprofits in the provision of public goods and services. Although awqāf can be seen as one of the constituents of nonprofit sector in modern era, such a conception might not fit from certain aspects. In order to understand this inconsistency, it might be beneficial to mention briefly the definition, scope, output and source of financing of nonprofits in comparison with awqāf.

Firstly, nonprofits are defined as “organizations whose most important goal is something that does not involve making a profit” or “not aiming to make a profit,

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<sup>16</sup> The primary position of real estates in being subject matter of waqf compared to the movables was mentioned in Chapter 2. The legitimacy of waqf of movables is accepted only if they are tied to the real estates or there is a custom. In line with this, Al Trāblusī indicated that the assets that can be the subject-matter of waqf are lands or houses or the movables on which there is a custom for endowing them, see al Trāblusī, *al Is'āf*, p. 23.

but working to help people or to achieve an improvement in something”<sup>17</sup>. Secondly, in terms of their scope, nonprofits involve any organization excluding governmental and for-profit organizations. In that sense, nonprofit sector might involve an association for environmental protection, national basketball association, scientific research associations, charities, nonprofit hospitals, universities and kindergartens. Thirdly, nonprofits produce public goods or collective/trust goods as output (Weisbrod, 1988, p. 90). Lastly, their main source of financing is mainly donations (Weisbrod, 1988, p. 90), which is one of the most outstanding characteristics of non-governmental organizations (NGOs), or nonprofits synonymously.

On the other hand, as indicated in the glorious expression of Rasūlullah ﷺ, waqf is detention of a property and giving its usufruct for a charitable purpose. In the sense of this definition, two points of distinction emerge between awqāf and nonprofits that are the scope of charitable purpose—which should be compliant with the requirements of glorious Sharī’ah—and that a waqf should be either a revenue generating charitable disposition such as waqf of Rasūlullah ﷺ or ‘Umar (RA) or a masjid or cemetery that is endowed for the benefit of public to fulfill a public need. In both terms, waqf requires the forfeiture of ownership from the owner and is deemed as a property of Allah Ta’ālā, however a nonprofit is not required to have such a qualification. Secondly, in terms of the scope, awqāf cannot include associations that represent a group of people or organizations who work together for a particular purpose<sup>18</sup> or charities that merely depend on donations. This fact differentiates awqāf from nonprofits to a certain extent. Thirdly, for their outputs, awqāf and nonprofits produce similar final goods and services, most of which can be evaluated as public or collective goods. Lastly, and probably one of the most outstanding in economic terms, the source of financing for awqāf is mainly the return on detained asset, which is spent for a specific charitable

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<sup>17</sup> Cambridge University Press. (n.d.). Nonprofit. In *Cambridge dictionary*. Retrieved March 21, 2022 from <https://dictionary.cambridge.org/dictionary/english/nonprofit>.

<sup>18</sup> Cambridge University Press. (n.d.). Association. In *Cambridge dictionary*. Retrieved March 21, 2022 from <https://dictionary.cambridge.org/dictionary/english/association>.

purpose, through which the founder intends to reach the pleasure of Allah the Almighty.

Thus, despite some similarities, awqāf and nonprofits diverge in terms of definition, scope and source of financing, although they produce similar outputs that are public goods. This divergence has important implications on the provision of public goods, especially the finance point of view, since awqāf operate on the basis of return on their detained assets, whereas the nonprofits in general are dependent to donations. However, in today’s world, the phenomenon of nonprofitization of NGOization of awqāf (Moumtaz, 2021, p. 233) constitute an important threat for the real meaning of awqāf in Sharī’ah. This phenomenon implies that the sources of awqāf are increasingly turning into donations, aids and membership fees.

**Table 3.1:** Comparison of different institutional forms, their outputs and source of financing.

Source: Weisbrod (1988), p. 90, the last row relevant to waqf is added by the author. The term “public goods” is used by the author instead of “collective goods” that was used (Weisbrod, 1988, p. 90).

Type of Organization	Outputs	Source of Financing
For-profit	Private goods	Return on asset
Governmental	Public goods	Taxes
Nonprofit	Public goods	Donations
Waqf	Public goods	Return on asset

As will be mentioned in the next chapter, roughly 54% of the Turkish new awqāf revenues in 2018 came from the donations, aids, membership fees and subsidies from government. Thus, the NGOization of awqāf lead them to dependency on donations, that diverge them from their essence in Sharī’ah. Hence, although the NGOization of awqāf in modern era led to a convergence between awqāf and nonprofits, the return on asset principle of awqāf provides significant advantages on the provision of public services, which constitutes one of the hypotheses of this study that will be discussed in following chapters insha’Allah.

Consequently, one can reach a conclusion that awqāf are the economic agents, which are capable to make final consumption expenditure on behalf of households, transfers to other economic agents and physical capital investment. They make all these

expenditures for serving the other households in particular and public in general through education, health, social service, national defense, and R&D services. Their final consumption expenditures are deemed to be a financing activity for the public good as well. In that sense, they are public good providers, however there are important differences in terms of the provision of public goods among awqāf, government and nonprofits. Although all of them produce or finance the public goods, awqāf differentiate from them through return on asset principal and Sharī'ah compliance.

Thus, in conclusion, in this chapter we presented a survey for the economic role of awqāf through referencing some important principles in the classical Hanafī fiqh that have economic reflections as well as the contemporary debates and theoretical discussions. We also attempted to explain the role of awqāf in provision of public goods in comparison with the government and nonprofits. These discussions would provide a basis for the following chapters in which the economic role of awqāf in Türkiye is investigated, as only Allah Ta'ālā knows best.

## CHAPTER 4

### 4. THE CURRENT STATE OF AWQĀF IN TÜRKİYE

#### 4.1.A Brief Historical Overview

Türkiye, as an extension and continuation of Ottoman Empire, has a rich heritage in terms of awqāf. From the establishment of the Ottoman Empire, the awqāf had been administrated by their trustees. Generally, the trustees were the founders of the awqāf and after their death, their children and posterity had been their administrators. Beside these foundations, there were also irsādī awqāf who were endowed by the Sultans in the form allocations from the state budget, as these awqāf were administered by the *sadrzams* and *shaykh al Islams*. This situation had been maintained until 995/1586, when a ministry (*nezâret*) was established for managing the awqāf set for the service of the two Grand Mosques in *al Makkah al Mukarramah* and *al Madinah al Munawwarah* from one hand, named as *Evkâf-ı Haremeyn Nezâreti* (Ministry of Foundations of Holy Cities). This was the first attempt to form a supreme board for a group of particular awqāf, which had been set for the similar purposes in order to administer them in one hand in the Ottoman history. After a period from its establishment, *Evkâf-ı Haremeyn Nezâreti* was extended to contain the awqāf of sultans, their family and pashas also.

Sultan Abdul Hamid I established various awqāf and centralized all these awqāf in the scope of *Evkâf-ı Hamidiyye*, which is established in 1188H/1774. After its establishment, *Evkâf-ı Hamidiyye* was combined with the *Evkâf-ı Laleli*, which was set by Mustafa III. In addition, in 1225H/1809 during the reign of Mahmud II, the awqāf that were founded by Mahmud II were combined with *Evkâf-ı Hamidiyye* (which also included the *Evkâf-ı Laleli*) under the name of *Evkâf-ı Hamidiyye ve Mahmûdiyye*. In 1814 these awqāf, also called as *Evkâf-ı Selâse* (The Three awqāf), it was converted into a district governorate under the name of *Laleli, Hamîdiyye ve Mahmûdiyye Vakıfları Mütevellî Kaymakamlığı* (Foundations of *Laleli, Hamidiyye* and *Mahmudiyye* Governorship of Trustee). Following that period, after the repeal of *Yeniçeri Ocağı* (guild of Janissaries) in 1826, the awqāf belonged to the guild were transferred to that governorship. Due to the increasing administrative responsibilities, in 12 Rabi al-Awwal 1242 (14th October 1826), a sovereign ministry was established under the name of *Evkâf-ı Humayûn*. In 1254/1838 *Evkâf-ı Haremeyn* also integrated

within the body of *Evkâf-ı Humayûn*. Then, from that date to the last years of the reign of Abdul Mecid, except eight special awqâf in the Ottoman Empire, roughly most of the awqâf were started to be administered by *Evkâf-ı Humayûn*. *Evkâf-ı Humayûn* continued its lifetime until the establishment of *Şer'îyye ve Evkâf Vekâleti* (Ministry of Religious Affairs and Foundations), in Ankara as an administrative body under the new government during the period of War of Independence in 1920.

The centralization of administration of the awqâf — which were in a scattered manner — in one hand, eradicating the corruption and fraud emerged in the awqâf sector, rearrangement of the state administration within a Western centralized state understanding and weakening the strength of some religious circles were among the underlying reasons of the establishment of *Evkâf-ı Humayûn*. However, the main reasons were to give an end to the mess and arbitrariness in the awqâf sector, reformation and bettering the awqâf administration in favor of the institution itself and the society, and to provide the resource transfer among the awqâf (inter-awqâf resource transfer) in order to encourage the awqâf, whose revenues were insufficient to compensate its costs. According to M. Nuri Pasha, the main reason of the establishment of *Evkâf-ı Humayûn* is that almost all the lands of Istanbul had been turned from private property status into awqâf status by the establishment of various awqâf during centuries, the trustees of the awqâf had a vital power in their hand and sometimes this situation could lead to corruption and fraud. Also, because of the hard times that the Ottoman Empire experienced, the *ulema* could not raise their voice against the centralization of the awqâf administration. The other important issue is that after the *Tanzimat* reforms, all the state revenues had to be included into the state budget and all the costs had to be paid from the budget, as an implication of unity of the state budget principle. This principle led to cash transfers being made from the awqâf budget to the state budget. Unfortunately, centralization of the awqâf administration did not get the desired consequences. Corruption and fraud had increased, the awqâf could not be reformed, the new awqâf could not be founded and even the existing ones, which were in need of repair, could not be repaired and restored. In addition, cash transfers could not be done from the budget of *Evkâf-ı Humayûn* to the awqâf, rather the budget deficits of the state had been financed from the budget of *Evkâf-ı Humayûn*. These consequences were not the intended results

when *Evkâf-ı Humayûn* was established, however the course of events had been resulted in that way.

At the end of the World War I, Ottoman Empire was considered as lost and many parts of its regions were occupied. Due to the occupations, National Struggle had been started in Anatolia and after the cancellation of Ottoman Parliament in Istanbul (*Meclis-i Mebûsan*) a new parliament was established in Ankara in 1920. By the decision of establishment of this new parliament, the responsibilities and authorities of *Şeyhülislâmlık* (Institution of *Shaykh al Islam*) — which had been authorized for all the matters regarding the Sharī'ah issues — and *Evkâf-ı Humayûn* were transferred to a new institution, under the name of *Şer'iyye ve Evkâf Vekâleti* (Ministry of Religious Affairs and Foundations). By this rearrangement, all the matters regarding religious institutions, institution of *fatawā* and *awqāf* were given to the authority of the *Vekâlet*. However, it could only maintain its existence for 4 years until 1924, as the government in Ankara transgressed, decided to divide the religious and state affairs and even attempted to abolish the Caliphate, struggled with the visibility of Islam in public sphere and exiled the members of the Ottoman family in 3<sup>rd</sup> March 1924. For replacing the authorities and responsibilities of *Şer'iyye ve Evkâf Vekâleti*, they established *Diyanet İşleri Reislîği* (Presidency for Religious Affairs) and *Evkâf Müdüriyet-i Umûmiyyesi* (Directorate General of Foundations). By their establishment, the two important institutions in the Ottoman Empire, which were at the level of ministry demoted to the general directory level. Through the repeal of the *Şer'iyye ve Evkâf Vekâleti*, the property of *awqāf* had been transferred to the state. The total amount of *awqāf* assets and their potential return was 2 billion TL at that time — meaning more than 1 billion USD.

Moreover, all the *medreses* and *mekteps* were within the scope of the *Şer'iyye ve Evkâf Vekâleti*, as they were also transferred to a new institution, called as *Maarif Vekâleti* (Ministry of Education), with their budgets. After the establishment of *Maarif Vekâleti*, some *awqāf* assets had started to be sold or rented. In the period of *Evkâf-ı Humayûn*, it was not allowed to substitute the *awqāf* assets in exchange for cash in most of their attempts, however during the Republic era the sale of *awqāf* assets were accelerated.

During the Republic era, in 1926, an intentional legal arrangement had come for the *awqāf* in the 73<sup>rd</sup> article of the civil code — which had been almost replicated from Switzerland civil code — as their status changed from “*waqf*” to “*tesis*”

(facility/institution) — the influence of this legal arrangement had continued until 1967, when the legal status of awqāf was re-changed to the “*waqf*”. As a natural consequence of secularization of the law, institutions were also secularized, as awqāf were attempted to be secularized and be de-contextualized from its Islamic basis. The main intention of this legal arrangement was to damage the cultural memory of Islamic civilization, as many of the simultaneous arrangements regarding secularization of the state took place besides it. Through this arrangement, the abolition of *medrese*, *tekke*, *zaviye* and other religious institutions had been easily done.

In 1935 the new law regarding the regulation of awqāf had been introduced. From 1924 to 1935, awqāf in general were rarefied with certain legal arrangement. By these arrangements, the portion of the awqāf in the public service had been declined and the responsibilities of many public services done by awqāf during the Ottoman era were transferred to different institutions, including *Maarif Vekâleti*, municipalities and others. In addition, due to the transfer of a portion of awqāf real estates and awqāf revenues to different institutions, there had been a decline in the budget of *Evkâf Müdüriyet-i Umûmiyyesi* (Directorate General of Foundations). Following steps represent the chronological development of these transfers;

- in 1924 *medreses* and *mekteps* (as they are in the status of awqāf) and their budgets were transferred to *Maarif Vekâleti*,
- in 1925, *tekke* and *zaviyes* (as they are also in the status of awqāf) had been repealed,
- in 1926, the water resources in the cities and villages (as awqāf) were transferred to municipalities,
- in 1930, *evkâf-ı avâriz*<sup>19</sup> and their revenues had been transferred to municipalities,
- again in 1930, cemeteries (as awqāf) were also transferred to municipalities.

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<sup>19</sup> The cash awqāf, which were primarily founded for helping the inhabitants to pay the *avâriz* tax and other tax obligations. After the collection of these taxes from the ordinary people rarefied, these awqāf served to the other needs of inhabitants in their regions (İpşirli, 1991, v.4, p. 109)

Hence, the public services that awqāf provided were mostly transferred to the government, as a long-lasting implication of the centralization cause of the state that had started in 19<sup>th</sup> century. In addition, it should be noted that between 1926-1967, only 202 awqāf had been set, under the name of *tesis*, as more than half of them (109 of them) were set for the religious purposes (Şenel & Tuyan, 2009, p. 128). The reason behind the fact that the low number of awqāf established in that period was mainly stemming from the secular politics and the economic level of the country. Thus, in the Republic era, the awqāf was intentionally be rarefied and weakened and their status were changed for the sake of secular purposes. Even some of the awqāf assets have been sold and rented, and the revenues of awqāf used by the different bodies of the state.

Moreover in 1954, during the period of *Demokrat Parti* (Democrat Party), the Vakıfbank was established by using the capitals of cash awqāf. Especially after the legal entity of the cash awqāf of Ottoman period was repealed and their capitals were seized, in 1954 Vakıfbank was established by using these capitals, as this indicates a capital transfer of some of the awqāf to an interest-based bank for its establishment. In 1967, all the capital of Ottoman cash awqāf were obliged to be transferred to the Vakıfbank shares. All these policies are against the rulings of the Islamic law (Çizakça, 2016: pp. 4).

After all, in 1967 a new *waqf* law was promulgated and it led to the recovery of the Turkish *waqf* system, as “not only the property rights of awqāf were once again guaranteed, but also *waqf*-company links were strengthened” (Çizakça, 2016: pp. 4). Strengthening *waqf*-company links has provided opportunities for sharing-based models of Islamic finance such as *mudārabah*, as big conglomerates and their foundations such as Koç Holding-Koç Foundation, Bilkent Holding-Bilkent University, Sabancı Holding-Sabancı Foundation, İGİAD-İLKE Foundation and Eksim Holding-Abdullah Tivnikli İSAR Foundation were established. In 1999, Directorate General of Foundations (DGF) allowed awqāf to purchase the shares of young companies not even yet listed and traded in the stock exchange, as their purchase has been left entirely to the discretion of the trustees (Çizakça, 2016: pp. 6).

In 2008, the most recent *waqf* law was promulgated. One of the most important developments was regarding that all the governmental bodies are required to restore seized *waqf* assets to the awqāf that formerly own these properties. In that regard, only

in Istanbul, 77 important waqf assets were restored their awqāf, including Süleymaniye Masjid, Fatih Masjid, Sultanahmet Masjid (Blue Mosque), Haghia Sophia Masjid, Hırka-i Şerif Masjid, Eyüpsultan Masjid, Yeni Masjid, Beşiktaş Vodafone Park Stadium (partial), Şişli Etfal Hospital, Adile Sultan Palace, Mimar Sinan Güzel Sanatlar University, Galata Tower, Spice Bazaar, and Grand Bazaar. Another important development initiated by Directorate General of Foundations is the restoration of old *waqf* properties, as it restored roughly 5250 awqāf assets until the end of 2018 on the basis of *restore-manage-transfer* or *build-lease/manage-transfer* methods

## 4.2. Constituents of Awqāf Sector in Türkiye

Currently there are five different kinds of awqāf in Türkiye, which are fused (*mazbūt*) awqāf, new awqāf, annexed (*mülhak*) awqāf, minority awqāf and irsādī awqāf. As of August 2019, in Türkiye there were 52,000 fused (*mazbūt*) awqāf, 5268 new awqāf — the ones that have been established after 1926 —, 256 annexed<sup>20</sup> (*mülhak*) awqāf, and 167 awqāf of non-Muslim minority communities.

### 4.2.1. Fused (Mazbūt) and Annexed (Mülhak) Awqāf

The fused (*mazbūt*) awqāf, which are the foundations to be conducted and represented by Directorate General of Foundations as per Foundations Laws no 5737 and foundations which were established before 4th October 1926 — which was the effective date of abolished Turkish Civil Code numbered 743 — and which are conducted Directorate General of Foundations as per Foundations Laws numbered 2762. Indeed, fused foundations constitute the main element of awqāf sector in Türkiye, as there are roughly 52,000 fused awqāf<sup>21</sup>, vast majority of which locates in Türkiye. All the fused awqāf have been managed by DGF, as they have not had any

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<sup>20</sup> As per Foundations Laws no 5737; foundations whose management must be implemented by those who come from founders' offspring and before effective date of abolished Turkish Civil Code numbered 743 are called as "Annexed Foundations". Retrieved from: <https://www.vgm.gov.tr/foundations-in-turkey/foundations-in-turkey/annexed-mulhak-foundations>.

<sup>21</sup> "2017 Yılı TBMM Bütçe Görüşmeleri (Turkish Grand National Assembly Budget Discussions for 2017)". *tbbm.gov.tr*. 7 Aralık 2016. Retrieved from: <http://archive.is/nCp9P>.

manager since they had been transferred into the hands of state through the developments of in 19<sup>th</sup> century and especially in the first years of Republic period.

On the other hand, the annexed (*mülhak*) awqāf represent another part of the Ottoman waqf heritage, as they were founded before 1926 but have been managed by those who come from founders' offspring. As of August 2019, there are 255 annexed awqāf. Most of the annexed awqāf are operating on the basis of their rental incomes, as the share of their rental incomes in their total income was 76.17%, whereas the other portion mostly comes from commercial enterprise revenues with a share of 12.92%.

There are numerous assets of fused awqāf, most of which in the form of real estate that have constituted the main revenue source for them. The main source of revenue for fused awqāf is rental income from these real estates, as these revenues have been spent for the purposes that were indicated in the deeds of trust (*waqfiyah*) of the fused awqāf, such as reading the Holy Qur'an, relieving food aid to the poor, needy and wayfarer, granting scholarships to the students in primary, secondary and tertiary education, monthly allowances to the orphans, disabled, establishing and operating education, healthcare and social aid organizations and facilities as well as soup-kitchens for public, and having the poor and needy foreign patients treated (Directorate General of Foundations, 2015, pp. 41-44). In order to realize the healthcare charity conditions in the deeds of trust of fused awqāf, DGF have offered several services such as providing inpatient, outpatient, mobile healthcare services and conducting business and operations related to this issue, taking measures to provide effective and efficient service to healthcare facilities, cooperating with healthcare institutions and organizations, public institutions and organizations, social security institutions and healthcare services when necessary to make agreements with the private insurance companies (Directorate General of Foundations, 2015, p. 49).

The expenditures of fused and annexed can be seen in Table 4.1. The most important expenditure item is income transfers to the poor and students, other expenditures, education and% research, and social service. In 2018, income transfers constituted 74.04% of their total expenditures, whereas the share of other expenditures constituted 20.26%, and education and research 4.04%. Thus, these expenditures represent the contributions of the Ottoman waqf heritage within the borders of Türkiye today.

**Table 4.1:** Expenditures of Fused and Annexed Awqāf in Türkiye (2015 – 2019)  
(Source: Directorate General of Foundations)

<b>Expenditures of Fused (<i>Mazbû</i>t) and Annexed (<i>Mülhak</i>) Awqāf (TL)</b>					
<b>YEAR</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Income Transfers*	-	-	-	54.431.371	-
Health	8,000	0	0	50,000	0
Social Service	206,000	433,000	691,000	937,000	891,000
Education and Research	1.412,000	1.861,000	1.785,000	2.972,000	3.301,000
Culture, Art, Sport	91,000	85,000	125,000	227,000	204,000
Economic and Social Development	0	22,000	24,000	0	337,000
Law, Human Rights, Politics	21,000	0	0	0	48,000
International Activities	0	0	102,000	0	0
Other Expenditures	7.085,000	14.019,000	18.430,000	14.897,000	9.814,000

\*: Income transfers are only calculated for the year 2018.

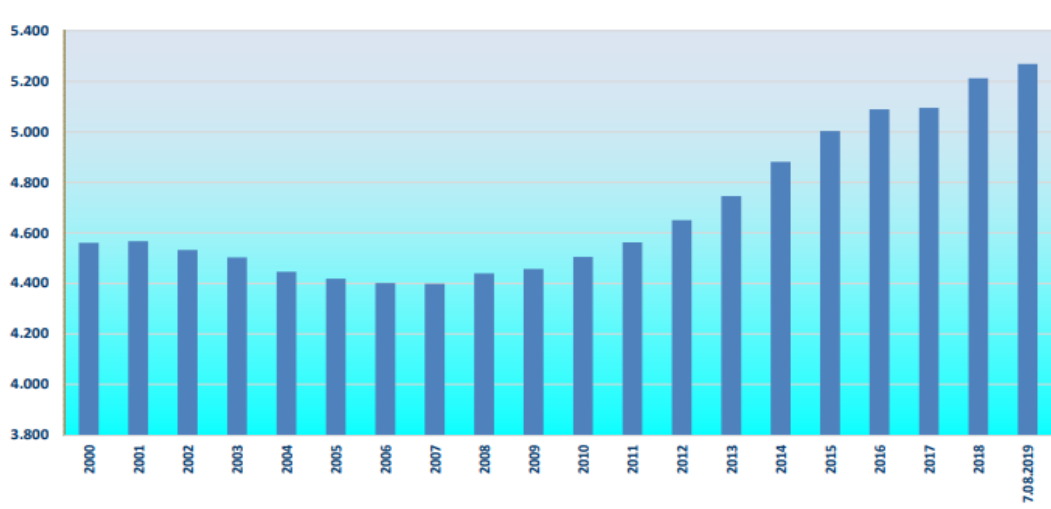
#### **4.2.2. New Awqāf**

As of August 2019, in Türkiye there were 5268 new awqāf that have been founded since 1926. Out of 5268 new awqāf, only 288 of them have been exempted from tax. In 2018, the number of awqāf, which established organizations for profit were 1411, as 949 of them operated in service sector. The value of total assets of new awqāf in 2019 was about 73.718 billion Turkish Lira, as it has increased by roughly 30% since 2014. In parallel with their services, most of the expenditures of awqāf concentrated on education (19.2%), healthcare (11.9%) and social aid (35.4%) activities, as these fields have constituted roughly two third of total awqāf services between 2014 and 2018<sup>22</sup>. The number of new awqāf in Türkiye raised roughly by 15.5% from 4560 to 5268 between 2000 and 2019. Starting from 2000, after an eight-year period in which the number of awqāf has almost stayed at similar levels, their number started to increase after 2008. Despite the 2008 waqf law, which has been criticized for increasing power of state in terms of intervention to awqāf, the number of awqāf has increased from 2009 to 2019 with an average of 1.7% annually.

<sup>22</sup> All these data can be found in the website of General Directorate of Foundations, please visit: <https://www.vgm.gov.tr/vakif-islemleri/vakif-istatistikleri/yeni-vakiflar>.

**Figure 4.1:** Number of New awqāf in Türkiye (2000-2019)

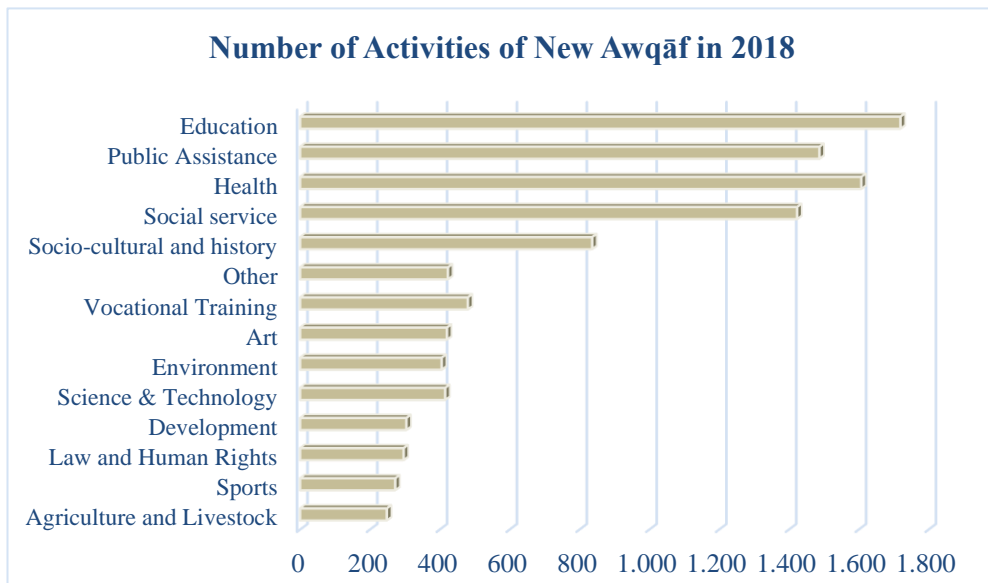
(Source: Directorate General of Foundations).



Moreover, as of 2019, among 5268 new awqāf in Türkiye, 2191 of them take place in Marmara region, as Central Anatolia and Aegean regions come after by 1292 and 522 awqāf respectively (see Table 4.2). The most important reason behind such distribution is that three main cities in Türkiye locate at these regions, as there are 1801 awqāf in Istanbul, 835 in Ankara and 235 in İzmir. These differences have important implications, especially the existing regional inequalities in Türkiye in terms of education; health, development, and infrastructure are taken into consideration.

**Figure 4.2:** Number of Activities of New awqāf in Türkiye (2018)

(Source: Directorate General of Foundations)



The revenues and expenditures of new awqāf can be seen in Table 4.3. Their main sources of income consist of donations, rental incomes, membership fees and financial income. In 2018, the share of donations in their total revenues was 27.27%, whereas the shares of rental income, financial income and membership fees were 23.36%, 21.52%, and 19.42% respectively. Hence, they are operating mostly on the basis of donations and membership fees, whereas their return on assets are lower. Unfortunately, as a vital violence, most of their financial income is acquired through interest-based activities that are completely prohibited in Sharī’ah. Their expenditure items, on the other hand, mostly consists of social service, education and research, healthcare, and charity. In 2018, the share of social service in their total expenditures was 35.40%, whereas the share of education was 19.21% and of healthcare was 11.99%.

**Table 4.2:** Number of New Awqāf in Regions of Türkiye (2019)  
(Source: Directorate General of Foundations)

<b>No</b>	<b>Region</b>	<b>Number of awqāf (As of August 2019)</b>
<b>1</b>	Marmara Region	2191
<b>2</b>	Central Anatolia Region	1292
<b>3</b>	Aegean Region	522
<b>4</b>	Black Sea Region	476
<b>5</b>	Mediterranean Region	335
<b>6</b>	East Anatolia Region	241
<b>7</b>	South East Anatolia Region	211
<b>8</b>	Istanbul	1801
<b>9</b>	Ankara	835
<b>10</b>	İzmir	235

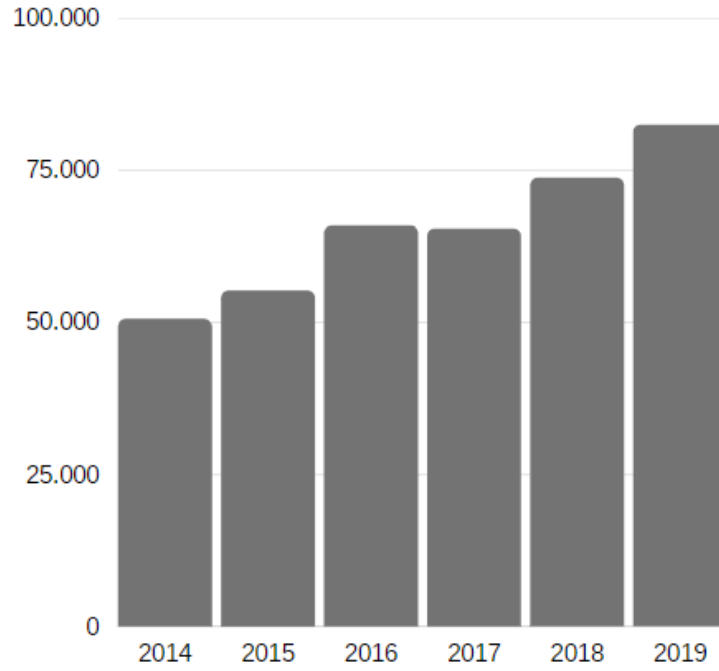
There is a general rise in the nominal value of Turkish awqāf assets between 2014 and 2019 with a growth of 45.90% (see Figure 4.3). The establishment of roughly 350 new awqāf within these five year period, together with the increase in general level of prices would be the main reasons behind this growth, Allah the Exalted knows best. In 2019, the total value of Turkish new awqāf assets reached 73.718 billion TL. The contributions of new awqāf to the Turkish economy can be elaborated with the institutions that they established, as they take the attention through waqf companies and waqf universities in that regard.

**Table 4.3:** Revenues and Expenditures of New awqāf in Türkiye (2014 – 2019)

(Source: Directorate General of Foundations)

YEAR		2014	2015	2016	2017	2018	2019
<b>TOTAL REVENUES OF NEW AWQĀF (THOUSAND TL)</b>	Membership Fees	2.622.000	3.440.000	3.515.000	4.117.000	4.913.000	5.621.000
	Foreign Aid	218.000	216.000	199.000	214.000	236.000	291.000
	Subsidies from Government	1.359.000	3.128.000	2.916.000	3.825.000	1.630.000	1.863.000
	Other Donations and Aid	5.286.000	5.799.000	5.257.000	6.370.000	6.898.000	5.850.000
	Revenues of Commercial Enterprises	179.000	177.000	236.000	215.000	269.000	264.000
	Financial Revenues	2.219.000	2.537.000	2.866.000	3.969.000	5.443.000	6.938.000
	Other Revenues	3.615.000	3.365.000	3.996.000	5.781.000	5.909.000	6.624.000
	<b>Total Revenues</b>	<b>15.498.000</b>	<b>18.662.000</b>	<b>18.985.000</b>	<b>24.491.000</b>	<b>25.298.000</b>	<b>27.451.000</b>
<b>TOTAL EXPENDITURES OF NEW AWQĀF (THOUSAND TL)</b>	Healthcare	597.000	749.000	790.000	960.000	1.113.000	1.375.000
	Social Service	1.650.000	3.427.000	3.968.000	5.044.000	3.287.000	3.226.000
	Charity and Voluntary Activities	694.000	478.000	488.000	690.000	651.000	576.000
	Education and Research	1.018.000	1.507.000	1.422.000	1.617.000	1.784.000	2.141.000
	Culture, Art, and Sport	179.000	236.000	300.000	372.000	379.000	436.000
	Economic and Social Development	210.000	239.000	306.000	412.000	451.000	539.000
	Law, Human Rights and Policy	7.000	7.000	11.000	13.000	14.000	10.000
	Environment	20.000	21.000	25.000	29.000	38.000	61.000
	International Activities	140.000	77.000	62.000	94.000	375.000	471.000
	Other Expenditures	523.000	3.119.000	720.000	1.378.000	1.194.000	996.000
	<b>Total Expenditures</b>	<b>5.038.000</b>	<b>9.860.000</b>	<b>8.092.000</b>	<b>10.609.000</b>	<b>9.286.000</b>	<b>9.831.000</b>

**Figure 4.3:** Total Value of Turkish New Awqāf Assets 2014 – 2019 (million TL)  
(Source: Directorate General of Foundations)



#### 4.3. Waqf Universities

In terms of education, the awqāf that contribute most to the economy in Türkiye are the ones which are in the private higher education sector. All the universities in private higher education sector must consist of universities that are established by awqāf. Currently, there are 73 waqf universities and 4 vocational school of higher education in Türkiye, in which 605,828 students are continuing their tertiary education. Through these institutions, awqāf are producing added value in the Turkish economy, as they are also contributing to human capital. In addition, there are also awqāf that were established for Islamic education. Besides, there are also several other awqāf that established primary and secondary schools as well as pre-school institutions, which have significant impacts on Turkish economy. There are also others that give scholarships to successful students in secondary and tertiary education, as several awqāf has been established for supporting and encouraging education as well as raising awareness and vocational training for educators.

Waqf higher education institutions constituted 37.08% of total higher education institutions in Türkiye in 2018. Among 127 public and 73 waqf universities, in 2018, waqf universities made 13.80% of total higher education fixed capital investment, as they finance 14.90% of the provision of higher education services to the public. This amount reflects the significance of Turkish waqf institutions in provision of public

goods for higher education. Moreover, in 2018, the total revenues of waqf universities were roughly 14.87 billion TL in total, as they spent approximately 98.30% of these revenues for their expenditures (see Table 4.4). The expenditure items of waqf universities consist of wages of their faculty (29.82%), scholarships (25.80%), R&D expenditures (4.24%), rental expense (3.93%), and taxes (12.63%).

In addition, the waqf universities made approximately 2% of the total R&D expenditures in Türkiye in 2018, whereas the share of R&D expenditures done by public universities was 12.2% (see Figure 4.4). Moreover, the waqf universities in Türkiye have been operating based on corporate-waqf model dominantly (Mohammed et. al., 2020, p. 197). The first three waqf universities in terms of total revenues were Başkent, Koç and Yeditepe universities, all of which are big waqf universities that have many students, as they all have hospitals that are one of the important revenue source of some waqf universities.

**Table 4.4:** Total Revenues and Total Expenditures of Waqf Universities in 2018  
(Source: Higher Education Council of Türkiye)

NO	UNIVERSITY	2018 - TOTAL REVENUES (TL)	2018 - TOTAL EXPENDITURES (TL)
1	BAŞKENT	1.515.506.561,72	1.432.484.797,36
2	KOÇ	1.296.157.687,94	1.296.157.687,94
3	YEDİTEPE	666.366.453,51	728.767.928,39
4	İSTANBUL AYDIN	653.256.216,40	636.452.639,98
5	BİLKENT	632.521.434,04	701.141.046,52
6	İSTANBUL MEDİPOL	625.024.719,50	725.894.957,96
7	BEZM-İ ALEM	624.465.995,34	663.674.057,79
8	İSTANBUL BİLGİ	510.336.808,44	319.100.484,63
9	İSTANBUL OKAN	477.171.127,65	473.175.463,99
10	İSTİNYE	455.211.210,10	466.453.610,80
11	SABANCI	441.110.888,14	451.612.452,85
12	BAHÇEŞEHİR	434.410.621,13	439.986.295,03
13	MALTEPE	324.853.586,84	418.696.951,89
14	ÖZYEGİN	320.417.744,36	263.780.226,71
15	BEYKENT	312.374.216,74	298.781.605,97
16	TOBB ETÜ	272.045.336,89	278.294.214,47
17	İSTANBUL GELİŞİM	264.477.978,58	223.806.645,58
18	BİRÜNİ	247.737.806,74	266.944.257,83
19	PIRİ REİS	236.638.382,88	195.794.434,85
20	ÇANKAYA	233.020.922,72	133.436.040,58
21	ACIBADEM	219.974.444,28	175.846.348,13
22	ÜSKÜDAR	210.005.747,78	193.545.653,06
23	ATILIM	200.046.509,55	172.849.652,22

24	YAŞAR	195.544.368,98	126.626.624,03
25	İSTANBUL KÜLTÜR	193.092.232,90	203.318.786,30
26	İZMİR EKONOMİ	179.203.708,86	163.879.328,69
27	ALTINBAŞ	177.920.259,72	175.116.676,04
28	NİŞANTAŞI	177.115.830,95	190.208.456,53
29	İSTANBUL AREL	141.673.141,31	164.521.884,84
30	UFUK	138.068.413,30	137.168.059,89
31	KADİR HAS	129.301.656,63	139.540.963,33
32	İSTANBUL SABAHATTİN ZAİM	127.639.199,03	132.090.688
33	HASAN KALYONCU	127.034.931,50	220.221.789,97
34	İBN HALDUN	126.998.818,93	93.166.033,21
35	İSTANBUL TİCARET	116.028.566,86	127.489.245,44
36	IŞIK	111.778.944,42	111.581.397,69
37	HALİÇ	111.504.557,94	93.983.861,94
38	FSM VAKIF	108.414.827,34	126.699.124,39
39	DOĞUŞ	106.216.172,12	87.814.300,63
40	YENİ YÜZYIL	105.439.318,04	78.661.824,24
41	KTO KARATAY	101.040.334	90.049.442,36
42	ANTALYA BİLİM	97.336.528,64	58.723.387,34
43	DEMİROĞLU BİLİM	85.114.939,93	90.422.471,66
44	AVRASYA	83.546.499,88	83.332.146,60
45	ÇAĞ	78.444.163,81	65.993.432,34
46	TED	70.164.726,25	66.700.849,47
47	İSTANBUL 29 MAYIS	68.129.195,10	69.743.417,97
48	MEF	65.685.689,88	65.708.683,60
49	İSTANBUL ESENYURT	58.541.695,76	60.627.462,92
50	NUH NACİ YAZGAN	56.276.077,53	48.511.012,49
51	ANTALYA AKEV	55.657.125,81	56.740.617,81
52	İSTANBUL AYVANSARAY	52.188.450,52	56.928.044,42
53	TOROS	47.594.065,94	29.278.565,38
54	TÜRK HAVA KURUMU	45.745.328,19	52.333.371,97
55	İSTANBUL GEDİK	45.507.259,15	74.634.212,67
56	KAPADOKYA	44.520.654,10	41.673.989,64
57	SANKO	38.123.485,02	30.635.027,01
58	KONYA GIDA VE TARIM	34.226.576,95	32.954.384,33
59	YÜKSEK İHTİSAS	27.269.576,16	20.353.204,21
60	İSTANBUL ŞİŞLİ MYO	26.621.518,55	18.940.163,48
61	İSTANBUL RUMELİ	24.835.279,11	27.385.183,98
62	İSTANBUL KENT	22.993.604,82	33.009.330,72
63	BEYKOZ	20.397.836,59	26.245.585,88
64	LOKMAN HEKİM	19.648.338,31	32.654.839,71
65	AVRUPA MYO	16.040.804,47	7.690.597,97
66	İZMİR KAVRAM	14.403.488,39	27.295.472,86
67	ALANYA HAMDULLAH EMİN PAŞA	9.594.189,16	6.472.540,94
68	ATAŞEHİR ADIGÜZEL MYO	8.400.562,98	7.842.497,97
69	FARUK SARAÇ TASARIM MYO	4.465.833,05	4.042.196,46
<b>TOTAL</b>		<b>14.868.621.178,15</b>	<b>14.615.688.633,85</b>

The waqf university hospitals are dominantly administered by the faculties of medicine of waqf universities. Currently there are 27 faculty of medicine of waqf universities, as 24 of them have either established their own hospitals or been associated with existing ones. More than offering medicine programs, some of these waqf universities focused mainly on health, as they have numerous hospitals in the different cities of Türkiye, such as İstanbul Medipol University, Acıbadem Mehmet Ali Aydınlar University, Bezm-i Âlem Waqf University, Başkent University and Yüksek İhtisas University. In addition, there are several other awqāf that support the healthcare sector through raising awareness, offering vocational training to healthcare professionals, conducting research and development activities in healthcare issues, fighting against drug, cigarette and other harmful addictions, and contributing to covering the treatment expenses of patients who cannot afford their expenses.

#### **4.4. Waqf Companies**

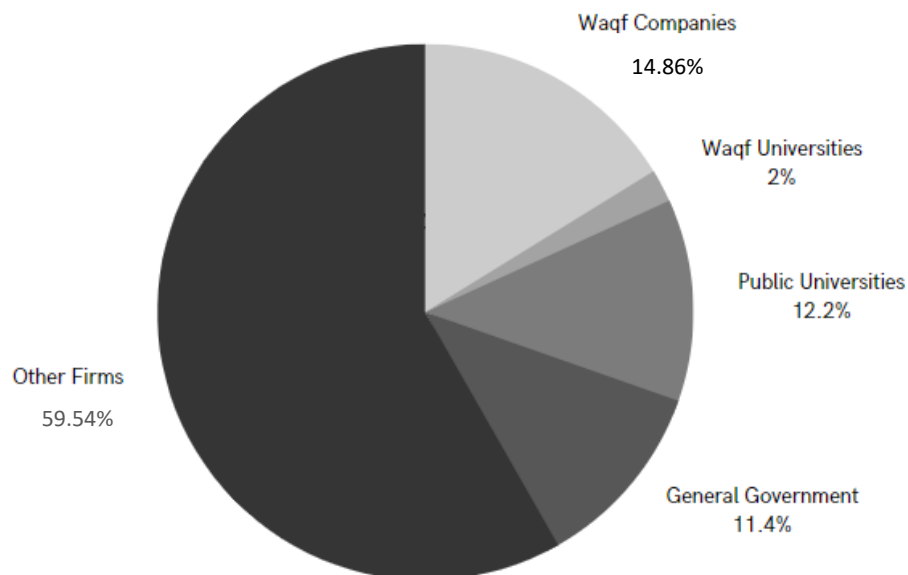
The most prominent economic contribution of awqāf sector is coming from waqf companies, which represent the corporate waqf conception in Türkiye. There are various waqf companies, which are the waqf subsidiaries —most of their shares belong to awqāf— the waqf participation companies —a part of their shares belong to awqāf— and the commercial enterprises of awqāf—the enterprises that have not legal personality and owned completely by awqāf. The most prominent waqf subsidiaries in 2018 are the subsidiaries of Turkish Armed Forces Foundation (TSKGV), which are ASELSAN, TUSAŞ, HAVELSAN, ROKETSAN, İŞBİR and ASPİLSAN. There are also other waqf subsidiary companies such as Bilkent Holding which was established to support İhsan Doğramacı Bilkent University, as well as the subsidiaries of the Directorate General of Foundations (DGF) that represent some assets of fused awqāf, which are Ayvalık Vakıf Zeytinlikleri İşletmeleri A.Ş. (Ayvalık Waqf Olive Grove Company), Vakıf Katılım Bank, 1048 Vakıf Enerji A.Ş. and Vakıf İnşaat Restorasyon TİC. A.Ş. (Waqf Construction and Renovation Company).

In terms of waqf participation companies, there are a wide range of companies including Koç Holding, Sabancı Holding, KuveytTürk Bank, Turkish Engine Industries (TEI), Mercedes Benz Turk, NETAŞ, DİTAŞ, İstanbul Deniz Otobüsleri (İDO) Maritime Transportation, TAV Airport Holding, TAV Investment Holding, Taksim Otelcilik (Hosteling) A.Ş., Türkiye İş Bankası, and Travelex Türkiye. Although they are waqf companies, most of these companies are conducting their

financial transactions through interest-based financing, as the main activity field of some of these companies are harām operations such as hoteling with alcoholic beverages and interest-based conventional banking.

In this study, due to limitations in the data, only the subsidiaries of Turkish Armed Forces Foundation which are ASELSAN, TUSAŞ, HAVELSAN, ROKETSAN, İŞBİR and ASPİLSAN are considered for calculating the impact of waqf companies on Turkish economy. These waqf subsidiaries contribute to the Turkish economy in terms of machinery and equipment production, defense industry production and R&D activities. In 2018, 14.86% of total R&D expenditures in Türkiye was made by the waqf companies, whereas the contribution of waqf universities is about 2% (see Figure 4.4). In addition, roughly 40% of total defense industry net revenues belong to these companies as well. Their employees constitute 27% of total number of workers in the national defense sector in Türkiye in 2018, whereas they made approximately 38% of the total national defense exports of Türkiye in the same year. Notwithstanding their contribution is significant in terms of defense industry production and R&D expenditures in Turkish economy, their interest-based financial transactions raise big concerns about their waqf subsidiary status.

**Figure 4.4:** The share of waqf companies in total R&D expenditures in Türkiye (2018) (Source: author’s own calculations)



In that regard, it would be beneficial to briefly explain the history and unique structure of TSKGV. TSKGV was established in 1987 through a law, which involved the unification of Turkish Land Force Support Foundation, Turkish Maritime Force Support Foundation and Turkish Air Force Support Foundation that was promulgated by the government led by Turgut Özal. In that regard, the history of TSKGV dates back to 1909, when *Donanma-yı Osmanî Muavenet-i Millîye Cemiyeti* (Ottoman Navy National Cooperation Community) was established. This community was established in order to support the Ottoman maritime forces on the basis of civic contributions. Although it was not a waqf, after abolished in 1919 this community was re-established in 1965 as a result of the Cyprus upheavals, it became a waqf in 1972 under the name of Turkish Navy Waqf, which was changed to Turkish Maritime Force Support Foundation in 1981. This waqf was established for supporting the development of Turkish navy, especially for research and development activities, including the construction of national warships. In parallel with the establishment of this waqf, Turkish Air Force Support Foundation” was founded in 1970 to develop the Turkish aviation industry. After the embargo that Türkiye faced aftermath of the Cyprus Peace Operation in 1974, Turkish Land Force Support Foundation was established for supporting the development of a modern national defense industry. In 1987, these three awqāf were united and Turkish Armed Forces Foundation (TSKGV) was founded by a law. Before the unification in 1987, these three awqāf established their subsidiary companies starting from the beginning of 1970s. In 1973 Turkish Aerospace Industry (TUSAŞ) was established which was followed by the foundation of other companies such as ASELSAN in 1975, İŞBİR in 1978, ASPİLSAN in 1981, HAVELSAN in 1982, and ROKETSAN in 1988. In 2020, four of these companies are among the top 100 national defense companies in the world, as ASELSAN was at 48<sup>th</sup>, Turkish Aerospace Industry at 53<sup>rd</sup>, ROKETSAN at 91<sup>st</sup>, and HAVELSAN at 99<sup>th</sup> rank in the Top 100 for 2020 ranking released by DefenseNews<sup>23</sup>.

Although TSKGV was founded by a law, it is a new waqf that has not any legal privilege compared to other new awqāf in Türkiye. It is subjected to Waqf Law numbered 5737, as it is subjected to supervision by the Directorate General of

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<sup>23</sup> Retrieved from: <https://people.defensenews.com/top-100/>.

Foundations and to auditing by the independent auditors. TSKGV is a legal entity which has not any organic relationship with the Turkish state, as it is neither subjected to public law nor uses any public resource. However, its subsidiary companies have been highly subsidized by the Turkish government for supporting the development of independent national defense industry since its establishment. Thus, this unique structure of TSKGV as a waqf, which has been highly subsidized and established indirectly by the Turkish state, deserve a delicate look to its status. Because of the reasons that mentioned above, subsidiary companies of TSKGV in this dissertation are evaluated as new waqf companies, although they have been highly subsidized by the government. In addition, it should be noted that due to the lack of data, waqf companies in this dissertation are represented by the subsidiary companies of TSKGV. This limitation excludes many important waqf companies including Bilkent Holding and partial contributions of Koç Holding and Sabancı Holding. Hence, due to this reason, in this dissertation the impact of waqf companies on Turkish economy would be understated.

**Table 4.5:** Expenditures of Minority Awqāf in Türkiye (2015 – 2019)  
(Source: Directorate General of Foundations)

<b>Expenditures of Minority Awqāf (TL)</b>					
<b>YEAR</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Healthcare	2.662,000	3.027,000	2.491,000	2.809,000	3.511,000
Social Service	17.717,000	15.838,000	15.633,000	17.919,000	24.515,000
Education and Research	16.291,000	18.540,000	17.147,000	20.177,000	26.873,000
Culture, Art, Sport	0	41,000	48,000	83,000	169,000
Economic and Social Development	557,000	538,000	571,000	298,000	59,000
Law, Human Rights, Politics	75,000	42,000	43,000	65,000	129,000
Environment	0	0	0	0	12,000
International Activities	0	0	0	0	0
Other Expenditures	29.986,000	35.960,000	42.171,000	66.217,000	55.579,000

#### **4.5.Minority (Community) Awqāf**

Minority (community) awqāf represent the awqāf that were founded by non-Muslim communities within the borders of Türkiye before the establishment of Turkish Republic. Currently, there are 167 minority awqāf most of which belongs to Rum-Orthodox, Armenian-Orthodox, Catholic, and Jewish communities. Most of these awqāf are endowed for either churches, monasteries, or schools. Their main income sources are rental income (39.50%), commercial enterprise revenues (23.65%) and financial income (22.05%). They have also several hospitals including Surp-Pırgiç Hospital, Surp Agop Hospital, Balat Or-Ahayim and Balıklı Rum Hospital, which contribute to their revenues. As can be seen in Table 4.5, their main expenditure items are education and research (21.34%), social service (15.93%) and healthcare (2.61%), together with other expenditures whose content are not specified by DGF.

#### **4.6.Irsādī Awqāf**

The awqāf that are founded by government constitute the examples of *al waqf al irsādī* or illegitimate waqf (*waqf ghayr sahīh*), which implies an *allocation* of certain government revenue items to specific charitable purposes rather than a legitimate waqf, which is founded by natural persons. The well-known examples of such kind of waqf in Türkiye are Social Aid and Solidarity Awqāf, Turkish Environmental Protection Waqf and Turkish Maarif Foundation. In this study, *al waqf al irsādī* is confined to Social Aid and Solidarity Awqāf. In 2018, there were 1002 Social Aid and Solidarity awqāf in Türkiye, with a branch in each district of Türkiye. Their main functions are the provision of direct cash and in-kind transfers to the poor and needy as charity to fulfill their food, shelter, education, healthcare, and other kinds of need.

The social assistance and solidarity awqāf are established by the state and administrated by a committee, which consists of local state authorities. The board of trustees in these kind of awqāf consists of local state authorities, who are the mayor in the provinces, provincial director of national education, provincial healthcare director, provincial director of food, agriculture and livestock, family and social policies provincial director, and provincial mufti. The irsādī awqāf are established in order to serve the needy, poor, and disadvantaged people who are in need in terms of in-cash and in-kind aids.

Moreover, these type of awqāf have been established since 1986, when the law no. 3294 of social assistance and solidarity was enacted in order to support the poor citizens, to strengthen social solidarity awareness, and to maintain social peace. They were established to help the needy people in Türkiye to ensure a fair distribution of income, and to promote social solidarity. They constitute an important tool for redistribution in Turkish economy, especially the welfare-effects that they have led to are taken into consideration. Their sources of revenue consist of amounts to be transferred up to 10% from the funds established by law and decrees by the decision of the Council of Ministers, 2.8% of the total income and corporate tax collection, 50% of traffic fines, 15% of The Supreme Board of Radio and Television (RTÜK) revenues, allowances to be included in the government budget, and all kinds of donations and aids and other income.

**Table 4.6:** Expenditures of Irsādī Awqāf in Türkiye (2018)  
(Source: Ministry of Family and Social Policy)

<b>EXPENDITURES OF IRSADI AWQĀF (TL)</b>	<b>2018</b>
Food Aid	263,020,000
Shelter Aid	39,170,000
Fuel Allowance	29,218,000
Aid to the Widows Whose Husbands Died	737,200,000
Aid to the Needy Families of Soldiers	178,200,000
Aid to Needy Children of Soldiers	8,900,000
Aid to the Orphans	58,400,000
Education Material Aid	11,860,000
Conditional Educaiton Aid	643,100,000
Lunch Aid	805,000,000
Free Textbook Aid	350,000,000
Transportation Aid for Disabled Students	368,750,000
Other Education Aid	1,266,000
Pregnancy Aid	16,230,000
Conditional Healthcare Aid for Children	382,230,000
Aid for Chronic Diseases	1,179,400
Aid for Tuberculosis	19,914,302
Treatment Support Aid	34,180,893
Soup Kitchens	33,280,000
Terror Damage Aid	62,000,000
Other Aids	1,914,360
<b>TOTAL</b>	<b>5.957.458,000</b>

The expenditure items of *irsādī awqāf* in 2018 are given in Table 4.6. The biggest share of *irsādī awqāf* contributions belong to lunch aid (13.51%), aid to widows whose husbands died (12.37%), conditional education aids (10.79%), conditional healthcare aid for children (6.42%), transportation of disabled students (6.19%), free textbook aid (5.87%), food aid (4.41%), and aid to needy families of soldiers (2.99%). Most of these expenditure items emphasize the welfare of the poor, patience as well as disadvantaged social groups who would be expected to be at the first priority in terms of waqf objectives. Thus, through *irsādī awqāf*, the government transfers the budget items mentioned above to these groups in order to increase their welfare.

#### **4.7. “Return on Asset Impact” of Awqāf in Turkish Economy**

Another vital point is to specify the boundaries for the true meaning of waqf in Sharī’ah and its economic implications on the current dynamics of Turkish economy, so that the economic impact of *awqāf* would be calculated in a way that it is purified from the functions that *awqāf* are not supposed to perform, such as the collection and distribution of donations.

The real meaning of waqf in Sharī’ah comprises that the revenue source of *awqāf* should consist of return on asset, as it does not involve any membership fees or donations, which are ascribed to *awqāf* in the modern times. Therefore, in order to understand the real impact of *awqāf* in the economy, the source of *awqāf* should be devoted to return on assets that are permissible in Sharī’ah. In addition, among the current *awqāf* in Türkiye, only the ones that satisfy the Sharī’ah conditions of waqf should be taken into consideration. Hence, in order to embrace all these components together, we can define a “return on asset impact” of *awqāf* that implies the effect of economic activities of *awqāf*—both in revenue and expenditure side—that satisfy the conditions stipulated in Sharī’ah in general and Islamic law of waqf in particular. Thus, we can speak of two-layered impact of *awqāf* in Turkish economy, which are:

- i. overall impact of *awqāf*, in which all the economic activities of *awqāf* both in revenue and expenditure side are taken into consideration, including return on assets, donations, membership dues and government subsidies in

revenue side<sup>24</sup> and final consumption expenditure, transfer payments, physical investments and taxes in the expenditure side,

- ii. the “return on asset impact”, in which the economic activities of awqāf are restricted only to return on asset in revenue side, whereas the revenues from other sources are subtracted from their final consumption expenditures and transfer payments, in a way that the Sharī’ah conditions of waqf is satisfied.

In terms of Sharī’ah conditions of waqf, from the available data, we cannot determine the exact revenue and expenditure items of awqāf that satisfy the conditions that are mentioned in the Chapter 2, such as *qurbah*, being *munajjaz* (not conditional upon an event that would occur in future), not being attributed to the death of the wāqif, being perpetual, or not including *khiyar al shart* (optional condition). Thus, the only criteria for fulfilling the Sharī’ah conditions within the scope of waqf impact are the restriction of revenues to return on asset, as well as certain implications of *qurbah* condition that are specifiable from the available data, such as endowing for church or synagogues that do not have a qualification of *qurbah* for Muslims. Insha’Allah, the details of this issue will be elaborated in following sections and Chapter 6.

In order to understand the scope of “return on asset impact”, we can evaluate the state of Turkish waqf sector components in that regard. Firstly, fused and annexed awqāf are the most outstanding example of the “return on asset impact”. Notwithstanding they have been administrated by Directorate General of Foundations (DGF) within a pool of funds framework, they have various active assets in the form of lands, buildings, shops, and other kinds of real estates. These assets are rented for different purposes<sup>25</sup> to be spent on the objectives of fused and annexed awqāf. For the halāl

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<sup>24</sup> The interest based financial revenues of awqāf are not considered within the scope of the overall impact of awqāf as well, since they cannot be associated with a pious institution that is founded for the sake of Allah the Almighty, as it should be compliant with the principles of the Sharī’ah.

<sup>25</sup> The rented assets are used for various purposes including trade, tourism, hoteling, café and restaurant, education facilities, dormitory, health facilities, industrial plant, gas station and even sport complex. Notwithstanding DGF spend the revenues acquired from these assets to the objectives of fused awqāf, as one of the most disgraceful facts in the current state of awqāf, some of these waqf assets are regretfully

activities that these assets are rented and used, households indirectly finance the awqāf objectives by pursuing the satisfaction of their needs, as these revenues are spent to charity for poor and needy, recitation of the Holy Qur'an in the month of Ramadan Sharīf, soup kitchens, scholarships and other kinds of good deeds. Hence, the households who cannot afford to satisfy their needs benefit from these services, through directly the endowments of the waqf founders who sought the pleasure of Allah Ta'ālā and indirectly the final consumption expenditure of other households.

**Table 4.7:** Revenue Item Shares of New Awqāf in 2018

(Source: Directorate General of Foundations)

\*: 90% of new awqāf financial revenues consist of harām revenues, which are interest-based.

<b>New Awqāf Revenue Items</b>	<b>2018</b>
Membership Fees	19,42%
Foreign Aid	0,93%
Subsidies from Government	6,44%
Other Donations and Aid	27,27%
Revenues of Commercial Enterprises	1,06%
Financial Revenues*	21,52%
Other Revenues	23,36%
<b>Total</b>	<b>100%</b>

For minority awqāf, they have various waqf assets including hospitals that transfer some part of their revenues to these awqāf. In that sense, they also share similar features with fused and annexed awqāf in terms of the waqf impact mentioned above, however they cannot be added to the calculation of waqf impact in Turkish economy, since most of which are endowed for churches, seminaries, and synagogues of different minority groups such as Greek, Armenian, Assyrian, and Jews. According to the Islamic law of waqf, waqf for church or synagogue is not allowed since they do not

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used for harām activities, such as interest based conventional banking, facilities with alcohol like bars and hotels, by the lessees within the knowledge and permission of relevant government institutions, including DGF. Taş Han, a caravanserai in Amasya—which was endowed by Hacı Mehmet Paşa in 1699 with various shops for the needs of the khan, nearby water resources, a school and for the recitation of the Holy Qur'an, is used as a hotel with alcoholic beverages today—, Akaretler Sıra Evleri in Istanbul—part of which was endowed by Sultan Abdul Aziz for the construction of Aziziye Masjid is now used as a complex in which a hotel and bars with alcoholic beverages exist—and assets of fused cash awqāf that were used as principal for the establishment of an interest-based conventional bank, Vakıfbank, can be mentioned among the examples of such a shameful action. In that sense, because of the lack of data, we could not quantitatively identify the harām revenues of fused and annexed awqāf.

constitute an objective, which includes the element of *qurbah* for both Muslims and other minorities (Ibn Ābidīn, 2003, v. 6, p. 526). Although waqf for the poor and needy non-Muslims or waqf for Masjid al Aqsa —since it includes the element of *qurbah* for both Muslim and Christians— is valid, the waqf for churches and synagogues are not permissible, because they do not have a meaning of *qurbah* for Muslims (Ibn Ābidīn, 2003, v. 6, p. 524).

The state of new awqāf in that sense requires a multi-level evaluation. The case for fused and annexed awqāf applies for some of the new awqāf, whereas some other new awqāf assets are not used in accordance with its real meaning prescribed in Sharī'ah, due to the problems of their harām financial revenues and NGOization of awqāf. New awqāf made revenue from their physical assets, financial assets, commercial enterprises, aids, and subsidies (see Table 4.3). The above-mentioned impact would reflect through the physical assets —which take place in “Other Revenues” item— and commercial enterprises, that constitute 24,42% of total revenues. Hence, the impact of new awqāf would represent the theoretical waqf impact to a limited extent. On the other hand, 54,06% of total new awqāf revenues in 2018 is acquired from membership fees, aids and donations, and government subsidies. Some portion of new awqāf assume themselves as NGOs, which are financially dependent on aids and subsidies on partial or full basis. This phenomenon is not compliant with the Sharī'ah definition of waqf, since it is at variance with the detention of a property in the ownership of Allah Ta'ālā and giving its produce as sadaqah. On the other hand, as mentioned in previous chapters, roughly 90% of new awqāf financial revenues composed of harām earnings that are based on ribā. Thus, 19,37% of their total revenues is earned by harām means, which must be certainly excluded from the pure waqf contributions.

New awqāf use all their revenues either in the form of direct transfers to the poor and needy, or final consumption expenditure on behalf of households, or physical investments. The types of physical investments done by new awqāf are represented through the number of new awqāf by facility type in Table 4.4. Most of the physical investments are done in the form of Islamic education / Holy Qur'ān schools, student dormitories, guesthouses, soup kitchens, libraries, conference halls, and education facilities. Direct transfers are made either in cash or kind, as the final consumption expenditures are in kind of services and goods that the awqāf made on behalf of households. This status of final consumption expenditures of awqāf is also consistent

with Standard of National Accounts that are prepared by United Nations and adopted by TurkStat as well, since the awqāf are deemed to nonprofits and the nonprofits are classified under household accounts with a special status that is “Non Profit Institutions Serving Households” (NPISH). All the household accounts in TurkStat, includes NPISH accounts including final consumption expenditure. Thus, this conception of final consumption expenditure of awqāf is in parallel with the recent universal standards. Hence, we can conclude that 26,57% of new awqāf revenues represent the waqf impact in Turkish economy, Allah Ta’ālā knows the best.

**Table 4.8:** Number of New Awqāf by Facility Type

(Source: Directorate General of Foundations)

<b>Number of New Awqāf by Facility Type</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Student Dormitory	215	204	199	201	195	198
Guesthouse	129	116	115	118	108	115
Camping Facilities	17	16	17	15	16	15
Day Nursery for Children	19	23	24	23	20	21
Orphanage	16	13	15	13	13	11
Women's Shelter	7	8	6	6	7	4
Nursing Home	14	14	14	17	17	18
Soup Kitchen	101	93	92	96	97	103
Hospital/Dispensary/Healthcare Center	12	15	14	18	17	17
Library	150	146	155	147	148	154
Reading Room	150	144	157	157	154	158
Education Facility	128	127	126	131	131	136
Private Teaching Institution	26	23	27	24	29	29
Exhibition Hall	40	43	52	47	50	53
Conference Hall	138	144	144	129	132	131
Sport Courts	32	31	32	31	27	26
Gym	27	27	29	25	21	26
Clubhouse	30	26	27	33	31	30
Islamic education/Holy Qur'an Schools	132	137	149	144	141	152
Disabled Schools/Child Therapy Centers	7	8	6	9	8	7
Kindergarten/Primary Schools/High Schools	38	35	38	33	32	34
University and Vocational School	45	41	44	49	46	45
Other	163	162	155	182	169	192
Total	1676	1627	1667	1677	1642	1708

In terms of waqf universities, they provide higher education services in exchange for tuition fees paid by some households, as they use these resources for making education final consumption expenditure and granting scholarships to some other households, as well as conducting R&D expenditures. Hence, they finance the provision of higher education services both free and paid basis by collecting tuition fees from some households, who can afford and be willing to buy these services. Thus, all households in Türkiye whether they are not pursuing higher education or not, are required to pay taxes for the provision of public services—including the higher education—as the ones who are willing to register and satisfy the conditions of admission are admitted to the public universities on free basis.

On the other hand, founders of the awqāf who established waqf universities, sacrificed from their wealth in order to contribute to the provision of certain public services. Then, households who are willing to pay for higher education, pay tuition fees for getting this service, whereas the revenues made through tuition fees are channelized for increasing the available higher education capacity in the country through making more higher education final consumption expenditure, granting scholarships and conducting R&D activities. In addition, the current state reflects the complementary role of awqāf in higher education services compared to government that public universities made 85.03% of total higher education expenditure to provide free higher education service to households and 12.44% of total R&D expenditure. The waqf universities could make only 14.97% of total higher education expenditure, 38.2% of which for the free provision of higher education services in a form of scholarship and roughly 2% of total R&D expenditure in Türkiye in 2018. It should be noted that waqf universities are not included in the “return on asset impact”.

Moreover, waqf companies produce national defense and material & equipment products and sell them in domestic and international markets. Through their revenues, they further develop their production activities, R&D activities, and physical capital investments. In this mechanism, they firstly use some part of their revenues for their activities and transfer respective part of their revenues to TSKGV as dividend, in accordance with the share of the latter in these subsidiaries. Then, TSKGV places contingency reserve as 20% of these revenues and reinvest 65% of the remaining—65% of 80%, which is 52% of total dividend paid to TSKGV—to these companies for sustainability and capacity development of the subsidiaries in terms of their production

and R&D activities. Hence, this mechanism has become a sustainable cycle that gradually increases the contribution of the waqf sector in the economy. In addition, they decrease the cost of national defense and machinery & equipment products for domestic markets and gain competitive advantage in international markets, as they also provide a significant advantage in terms of national security, which correspondingly increases the welfare of society. Households, in that sense, benefit from public security service as they might reap the benefits of increasing technology stock of country. However, in this case the finance mostly comes from the government institutions since the subject of the production is national defense. In that sense, the national defense production and R&D activities of waqf companies are financed through the taxes paid by households, however waqf subsidiary companies contributed to the social welfare through the following mechanism. If we consider the government would have produced all these products and make the R&D expenditure, then this would be more expensive since it requires making fixed physical capital investments, as well as wages of employees and other administrative costs. In that case, all these costs would have been financed through taxes collected from households. Hence, the waqf subsidiaries exhibit a unique example for the theoretical waqf impact mentioned above, since they increase the welfare of households through decreasing the cost of national defense products, increasing the physical and knowledge capital stock, and providing a significant advantage for the development of a fully independent national defense sector.

In terms of *irsādī awqāf*, they are kind of illegitimate waqf in a meaning that they are composed of allocated budget items for specific social purposes done by government. In this study, *irsādī awqāf* are represented by Social Assistance and Solidarity *Awqāf*. In 2018, there were 1002 social assistance and solidarity *Awqāf* in Türkiye, as they constitute an important tool for redistribution in Turkish economy. Their sources of revenue consist of designated budget items such as, up to 10% from the funds established by law and decrees by the decision of the Council of Ministers, 2.8% of the total income and corporate tax collection, 50% of traffic fines, 15% of The Supreme Board of Radio and Television (RTÜK) revenues, allowances to be included in the government budget, and all kinds of donations, aids and other income. Hence, *irsādī awqāf* are financed through taxes collected by households, as the government uses these funds to make final consumption expenditure on behalf of the poor and

needy households and make transfers to them in cash and in kind<sup>26</sup>. Because of this reason, they are the institutions, through which the households contribute to the welfare of the needy households who cannot afford to these services. Thus, they exhibit a completely different example than of the legitimate awqāf and cannot be regarded within the scope of “return on asset impact”.

In conclusion, the “return on asset impact” consists of the permissible revenues and expenditures of fused, annexed, and new awqāf together with the permissible revenues and expenditures of waqf companies. Irsādī awqāf, minority awqāf and waqf universities are not included in the “return on asset impact”. Insha’Allah the details of the calculation and economic role of “return on asset impact” will be discussed in Chapter 7.

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<sup>26</sup> They might include a portion of harām earnings due to default interest payments done in the form of penalty for delay in traffic fines or the funds established by law.

## **CHAPTER 5**

### **DATA: SOCIAL ACCOUNTING MATRIX FOR 2018 TURKISH ECONOMY**

The nature of impact analysis requires several components such as the decision on the scope of analysis, data collection, determination of the analysis technique, model building, representation of collected data, as well as data processing. The scope of analysis might include the investigation of the factors that influence the behavior of microeconomic units as well as the analysis of the macroeconomic impact of a policy prescription. After the identification of the scope, data collection and decision on analysis technique are key steps to move further. Then the model can be built by considering the features of collected data and analysis technique. Therefore model-building cannot be confined to theory, as it must involve specific adjustments that take the characteristic features of the analyzed unit into account. Furthermore, representation of collected data within particular frameworks is another vital component, which involves data collection and data preparation. In that sense, there are several data frameworks that might alter changes in accordance with the nature of the technique. Regression analyses require data to be presented in certain frameworks such as cross-sectional, time-series or panel data, whereas the input-output analyses require the usage of make and use tables together with input-output tables. After satisfying the requirements of these two components, one can further move to the next step, which is data processing. In data processing stage, the data is subjected to various means and methods of technical manipulations.

For conducting an impact-analysis on macroeconomic level to show how an economy might react to changes in policy, institutions, behavioral assumptions, technology or other external factors, Computable General Equilibrium (CGE) models are among the notable techniques that gives an opportunity to analyze welfare changes of different economic agents. It has been applied within a wide range of research fields including fiscal economics, energy economics, transportation economics, environmental economics, demographic economics and the economics of disasters. In order to apply the model to the real cases, these structures require the representation of data within a particular framework, which is called as Social Accounting Matrix (SAM). SAM is a matrix representation of flows of all economic transactions within an economy in terms

of commodities, activities, economic agents, and sectors. The basic logic behind a SAM is very similar to double-entry bookkeeping in accounting, as it is a series of accounts, in each of which inflows and outflows must balance each other, so that inflows of one account must represent the outflows of the another (King, 1985, p. 17). As it represents all these information in a square matrix form, each row in the matrix shows the revenues, whereas each column denotes the expenditures of relevant account.

Social accounting matrices have a standard structure, which is open for being differentiated to some extent in accordance with the needs of research interest. This standard structure involves some fundamental parts such as production (activity) account, commodity account, institutions, and capital account. Production or activity accounts represent the production activities of different economic sectors, such as agriculture, mining, construction, services, education, health, or transportation. For each sector, production activities require to combine the intermediate goods and factors of production to produce final output, whereas beside these items, indirect taxes and subsidies influence production activities as well. As a result of production activities, the produced output is channelized into two main domains that are domestic markets and rest of world in the form of exports. The domestic output of various sectors is transferred to commodity markets, in which the imported goods and services merge with them for the final consumption of households and government. Households can afford to make final consumption expenditure through their labor and capital income and the transfers made to them by other households and the government. On the other hand, the government collect taxes for acquiring a revenue and make final consumption expenditure in the form of government expenditure to increase the social welfare. Apart from the consumed amount of their income for final consumption, households and government allocate some part of their income into savings, as these saved amounts, in turn, is channelized into investments in an accumulated form of capital. Hence, a SAM briefly summarizes all these income and expenditure flows in an economy within a square matrix representation (see Figure 4.1).

In order to have a grasp of the construction of SAM for Turkish economy, it would be beneficial to mention the circular flow of Turkish economy as well as the data requirements and balances of each account for 2018.

## **5.1. Constructing a Social Accounting Matrix for Turkish Economy**

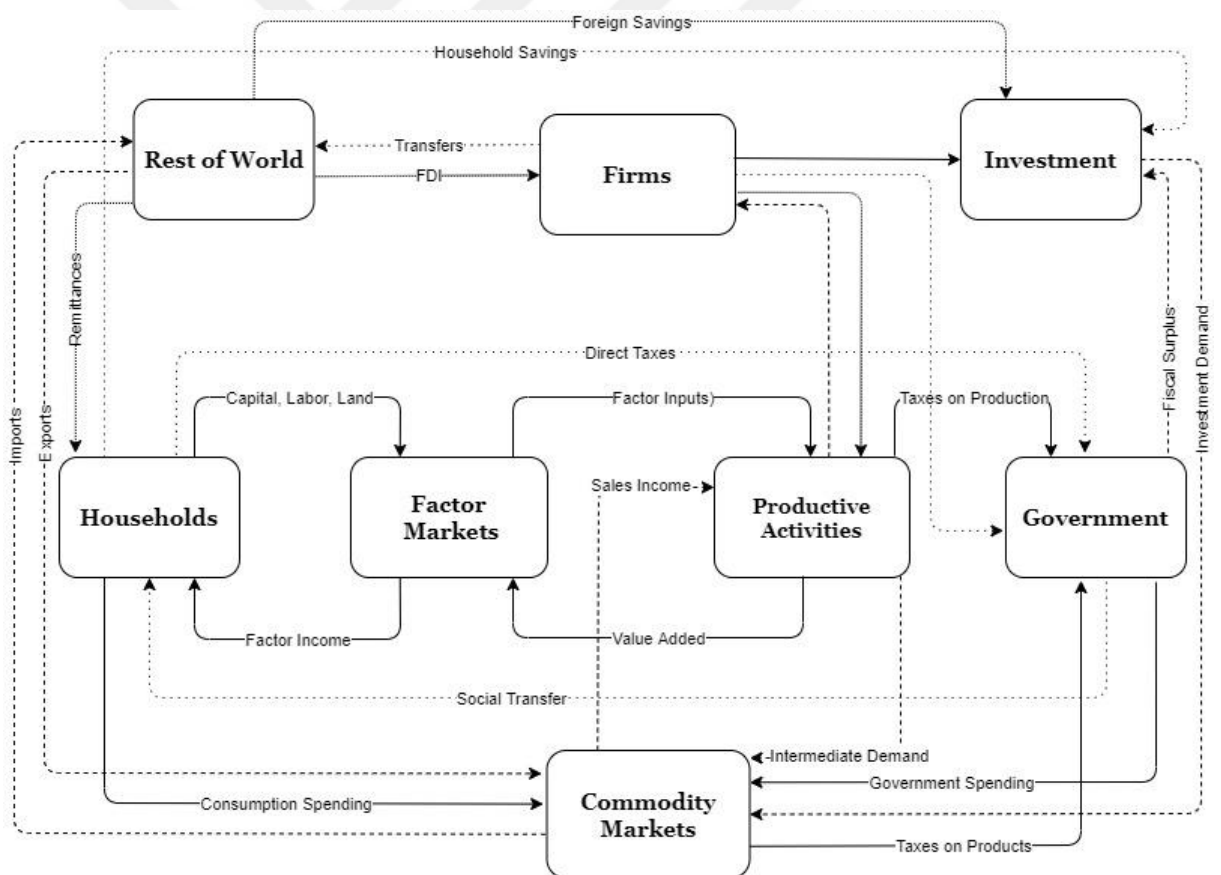
### **5.1.1. Circular flow of Turkish economy**

The purpose of this chapter is to construct a SAM for Turkish economy based on 2018 accounts. 2018 is selected as a base year since it was the most recent year, for which all the required data is available during the construction period of SAM. In addition, since it reflects the dynamics of Turkish economy before the pandemic era, it might provide some advantages insha'Allah. Such kind of SAM requires the specification of sectors, commodity accounts, activity accounts, factor accounts, capital accounts, and institutions. In order to specify these components, one should know the structure of Turkish economy in a circular flow framework. The circular flow framework of Turkish economy represents activity accounts, capital accounts, institutions, and markets as the units, among which the flow of economic variables takes place (see Figure 5.1). In that sense, the institutions consist of households, firms, and the government. Activity accounts represent the production activities, through which the value added and intermediate goods are transformed into final goods. Markets are mainly represented by factor markets—in which the labor and capital take place—and commodity markets—in which the goods and services produced by different economic sectors are supplied and demanded. Moreover, the savings of different institutions are channelized into investment that represents the capital account in Turkish economy. Investments consists of physical investment including building, machinery, and vehicles.

Production activities marshal the factors of production and intermediate goods in order to produce final goods, that in turn to be sold in commodity markets or to be exported. By doing so, it produces value added, which in turn be distributed to the owner of production factors, mainly represented by households. At the same time, government collect indirect taxes from production, as it subsidizes the production activities in some specific sectors in accordance with its policy targets. The government revenues are not confined to indirect taxes from production, as the final goods, imported goods and intermediate goods sold in commodity markets are subjected to direct taxes, whereas it collects taxes from households and firms as well. In return for this, the government also make social transfers to the households, who are generally vulnerable, pensioner

and poor in order to support them to make living. Moreover, there are remittances and foreign direct investments coming from rest of world to the Turkish economy. Households, apart from supplying their production factors in factor markets, earn the price of their marginal product as income. They firstly pay taxes to government and make transfers to other households and companies. Then they divide their disposable income into two components, which are consumption and saving. Households demand goods and services in commodity markets in return for consumption spending, whereas they invest their savings in the form of physical capital. In addition, government makes government spending to increase the welfare of the public from tax revenues, as it withdraws the fiscal surplus as a form of physical investment, whereas foreign savings that are coming from rest of the world are also channelized into physical investment.

**Figure 5.1:** Circular Flow of Turkish Economy  
(Source: Author’s own).

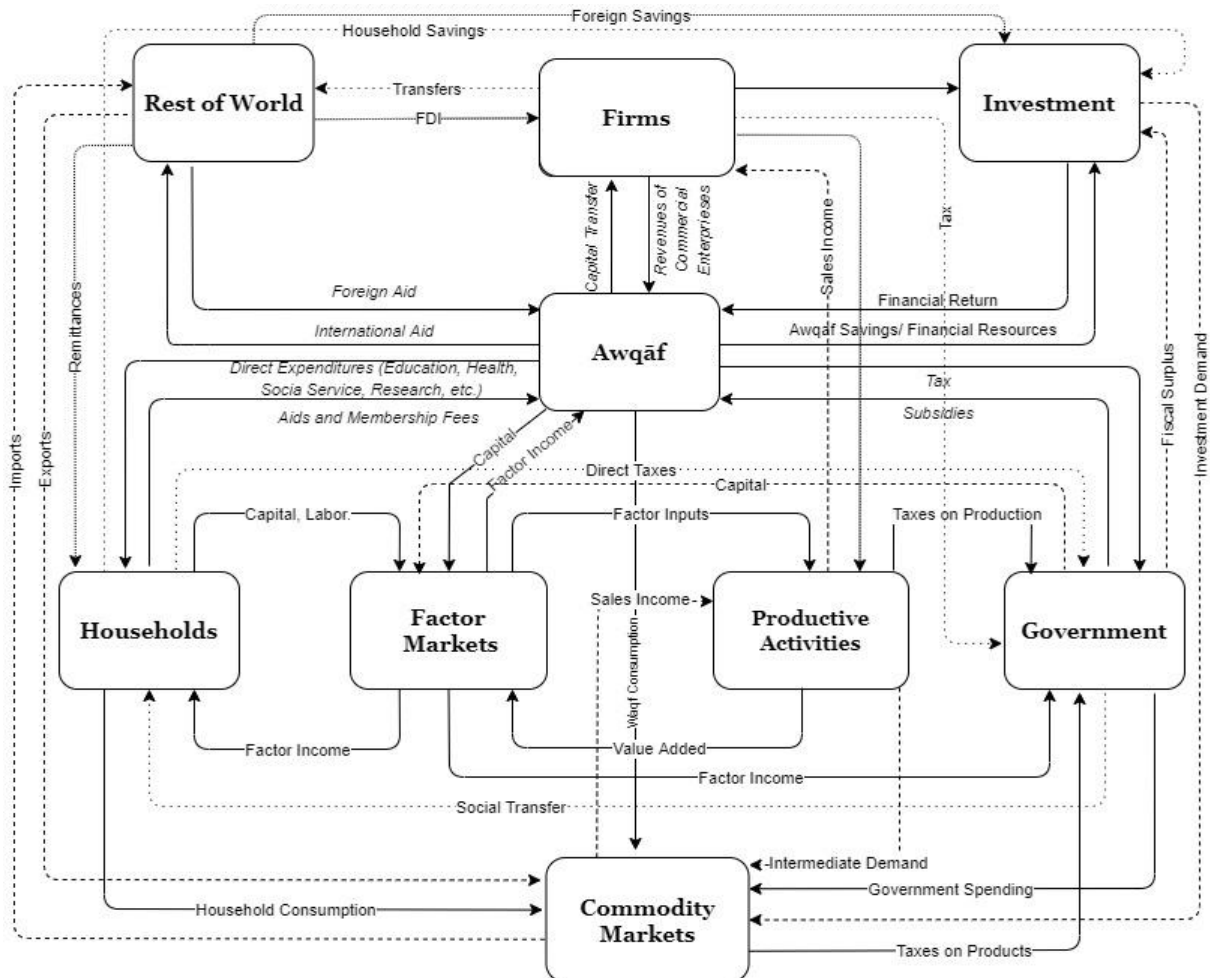


Herein, as a vital problem in terms of Islamic economics, there are also *harām* sources of earnings in Turkish economy that should be emphasized. These *harām* earnings are mainly consist of interest-based transactions as well as the production and sale of the

*harām* goods and services. There emerge two sources of *harām* earnings based on interest, one of which is the price of capital that is claimed as interest in conventional economics and takes place in operating surplus and the other one is the interest-based transactions of households, firms and the government. The sources of interest-based earnings contain interest-based financing, trading, and intermediation, such as interest-based banking, insurance, leasing, factoring, and other modes of intermediation in financial and capital markets. The other source of *harām* and *makrūh* earning constitutes the production and sale of *harām* goods and services in certain sectors, such as alcoholic beverages, pork, tobacco, gambling, tourism, entertainment, music industry and musical instruments, inappropriate press, media and advertisement; deferred sale of gold, silver and currency; tattoo, piercing, pornographic materials, as well as some sports and other activities, in which the dress and conduct of the players do not comply with the provisions of glorious *Shari'āh*. Among these *harām* earning sources, the goods have been subjected to three different economic activity levels, which are production, wholesale trade and retail trade. All these *harām* sources of income and expenditure should be abolished from Turkish economy, in order to establish an Islamic economy that satisfies the *Shari'āh* requirements in economic and financial spheres. In that sense, financial system should be redesigned in accordance with the *Shari'āh* principles in a genuine sense, whereas the existing stock of capital and inventory for production of these sectors can be channeled into the *halāl* ones, such as food, non-alcoholic beverages, defense and other sectors that make greater contribution to the welfare of the public in general and the poor and needy in particular. Until that point the circular flow of Turkish economy is explained, but without inclusion of the *awqāf* sector. The *awqāf* sector is also a part of the circular flow as one of the institutions, as it includes fused (*mazbūt*), new, annexed (*mūlhak*), minority *awqāf*, waqf universities, and waqf companies. The *awqāf* sector has various types of relationship with other institutions, production activities, as well as commodity and factor markets. Before explaining the role of *awqāf* sector in Turkish economy, it would be better to recall the definition and fundamental principle of *waqf* in *Shari'ah*. *Waqf*, as a kind of worship (*'ibādah*), is the detention of a property in status of the property of Allah Ta'ālā and giving its yield to a specific objective that should have a qualification of *qurbah*, i.e. closeness to Allah Azza wa Jalla. In that regard, Rasūlullah ﷺ mentioned about the *waqf* in the hadith of 'Umar (RA) in which he sought advice

of the Prophet ﷺ, as “if you wish, you confine/detain the property and devote its yield as *sadaqah*” (Sahīh Muslim, Kitāb al-Wasiyah, Bāb al-Waqf, 1632). Thus, the primary

**Figure 5.2:** Circular Flow of Turkish Economy with Awqāf  
(Source: Author’s own).



feature of the *waqf* is keeping the corpus intact and giving its produce as *sadaqah*. However, in addition to its primary feature, the current functions of *awqāf* in Türkiye differentiate to some extent, such as collecting aids and membership fees from households, taking subsidies from government and foreign aid from rest of the world (see Figure 5.3).

The *awqāf*, in return for their income from above-mentioned items, make direct expenditures on households mostly by buying goods and services in commodity markets, and providing them to the households mostly on free or fee-charged basis. Furthermore, through their own labor and capital resources, the *awqāf* produce machinery and equipment, defense industry goods and services, education, health, R&D and social services for the households. Most of these services are in the status of public good. In addition, *awqāf* in Türkiye make direct social transfers to the poor,

needy and university students as a charity activity both in national and international level. The charity activities of some prominent *awqāf* such as İHH, Turkish Diyanet Foundation and Aziz Mahmūd Hüdâyî Foundation constitute good practices in that regard.

In terms of their relationship with government, although the government give subsidies to some *awqāf*, it collects taxes from them as well. None of the new *awqāf* in Türkiye are subjected to corporate tax, whereas they are subjected to income tax, value-added tax, and stamp duty in certain transactions. There are also 288 new *awqāf* that have been fully exempted from taxes, as most of these *awqāf* provide religious, education, health, research, and charity services. The other aspect of the relationship between *awqāf* and government is related to the *awqāf* whose *wāqif* is government. The *awqāf* that are founded by government constitute the examples of *al waqf al irsādī* or illegitimate *waqf* (*waqf ghayr sahīh*), which implies an *assignment* of government resources to specific purposes rather than a legitimate *waqf*, which is founded by private property of natural persons. The well-known examples of such kind of *waqf* in Türkiye are Social Aid and Solidarity *Awqāf*, Turkish Environmental Protection *Waqf* and Turkish Maarif Foundation. In this study, *al waqf al irsādī* is confined to Social Aid and Solidarity *Awqāf*. In 2018, there were 1002 Social Aid and Solidarity *Awqāf* in Türkiye, with a branch in each district of Türkiye. Their main functions are the provision of direct cash and in-kind transfers to the poor and needy as charity to fulfill their food, shelter, education, healthcare, and other kinds of need.

The most prominent economic contribution of *awqāf* sector is coming from their companies and universities. As mentioned in the previous chapters, there were 76 *waqf* higher education institutions in Türkiye in 2018, 71 of which were *waqf* universities and five of which were *waqf* vocational schools. *Waqf* universities contribute to the Turkish economy in terms of higher education services and R&D activities. They are producing these services in return for the tuition fees from some part of their students, as they are making higher education final consumption expenditure on behalf of the students who are granted partial or full scholarship by these institutions. *Waqf* universities made 14.97% of total higher education expenditures in Türkiye in 2018, whereas the scholarships granted by *waqf* universities constituted approximately 38.2% of their higher education expenditures. In addition, in terms of R&D

**Table 5.1: Representation of SAM for 2018 Turkish Economy with Awqāf accounts**

2018	Activity	Commodity	Institutions										Taxes			Subsidy		Physical Capital								
			Capital	Labor	Households					Firms		Government	Awqāf			Rest of World	Public Physical Capital	Private Physical Capital	Waqf Physical Capital							
					HH Q1	HH Q2	HH Q3	HH Q4	HH Q5	Non-Financial Firms	Financial Firm		New Awqāf	Waqf Universities	Waqf Companies					Fused&Annexed Awqāf		Irsadi Awqāf	Minority Awqāf			
Factor Account	Activity	Dom. Output																					Total output			
	Commodity	Intermediate Consumption																					Aggregate demand			
	Capital	Capital Input																					Capital factor income			
	Labor	Labor Input																					Labor factor income			
Institutions	Households	HHQ1	Capital Income	Labor Income																						
		HHQ2	Capital Income	Labor Income																						
		HHQ3	Capital Income	Labor Income																						
		HHQ4	Capital Income	Labor Income																						
		HHQ5	Capital Income	Labor Income																						
	Firms	Non-Financial Firms	Capital Income	Labor Income																						
		Financial Firm	Capital Income	Labor Income																						
	Awqāf	Government	Capital Income																							
		New Awqāf	Capital Income																							
		Waqf University	Capital Income																							
Waqf Company		Capital Income																								
Fused&Annexed Awqāf		Capital Income																								
Irsadi Awqāf		Capital Income																								
Capital Account	Minority Awqāf	Capital Income																								
	Rest of World	Imports																								
Physical Capital	Taxes	Indirect Taxes	Direct Taxes																							
	Subsidies	Subsidies																								
	Public Physical Capital																									
	Private Physical Capital																									
	Waqf Physical Capital																									
	Total	Gross Domestic Production	Aggregate Supply	Capital factor expenditure	Labor factor expenditure	Total Household Expenditure					Total Firm Expenditure		Total Government Expenditure	Total Waqf Expenditure			Foreign Inflows	Total Tax Expenditure	Total Subsidy Expenditure	Gross physical investment expenditure			Foreign Outflows	Total Tax Revenue	Total Subsidy Revenues	Total physical capital savings

expenditures, waqf universities made roughly 2% of total R&D expenditures in Türkiye in 2018. In this study, all the 76 waqf higher education institutions are taken into account for the impact of awqāf sector on Turkish economy.

Moreover, all the components of Turkish awqāf sector—including fused, annexed, new, minority and *irsādī* awqāf as well as waqf universities and companies—earn financial return from their financial investments, however approximately 80%-90%<sup>27</sup> of these financial returns are obtained from interest-based financing in the current situation, which is an impermissible transferring their resources to conventional financial institutions and they obtain impermissible income from these institutions on the other. Hence, the awqāf should use their financial and shameful violation, especially for an organization that is expected to be an institutionalized representation of *qurbah*. On one hand, they support the interest-based financial system through resources in permissible activities from *Sharī'ah* point of view, through which they can earn *halāl* income and support the interest-free financial system.

Consequently, the circular flow of Turkish economy and the role of awqāf within it are briefly summarized in this section. It would be beneficial to continue by mentioning the data sources and requirements for construction of a national SAM for Türkiye in 2018.

### **5.1.2. Data Requirements for 2018 Turkish Social Accounting Matrix**

In order to construct a national SAM that is capable to reflect above-mentioned accounts of Turkish economy, a wide range of data is required to be collected from different sources. These data requirements can be classified under eight sub-account categories, such as commodity and activity accounts, factor accounts, institutions, public accounts, awqāf accounts, transfer accounts, foreign trade accounts, and capital accounts. A representation of SAM for 2018 Turkish economy with awqāf accounts can be seen in Table 5.1.

Firstly, for the commodity and activity accounts, the 64 sectors of Turkish economy—that are given in two-digit NACE Rev.2 form—are aggregated into one sector, in which all the commodities that are produced by different sectors take place. This method is

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<sup>27</sup> Obtained from the telephone interview made with the statistical officials of Directorate General of Foundations.

employed, since the scope of the study is not directly related to the impact of awqāf on sectoral basis, instead the focus is on the impact of awqāf on national accounts, poverty, income inequality, and public finance indicators.

For the activity and commodity accounts, intermediate consumption, taxes on products and production, import, export, operating surplus (profit, prohibited interest and rent), and compensation (wage) of employees are taken from the 2018 GDP by kind of economic activity, income approach table published by TurkStat, as they updated in accordance with the 2018

Secondly, for the factor income of each institution we benefited from 2018 Institutional Sector Accounts of TurkStat as well as Directorate General of Foundations data for all kinds of awqāf and Higher Education Council data for waqf universities. For household disaggregation, distribution of annual equivalized household disposable income by type of income and quintiles for 2019 published by TurkStat is used and the household disaggregation is done in accordance with entrepreneur income and wage income coefficients for different income quintiles.

Thirdly, in terms of the institution accounts, the households, government as well as non-financial and financial firm accounts have been done through using different data sources. Most of the data is available in 2018 Institutional Sector Accounts. However, the challenging issue is the disaggregation of household accounts into five income quintiles, as this is done mostly through using Household Budget Survey – Consumption Data 2018 of TurkStat for the sectoral final consumption expenditure done by household income quintiles. This is done through the aggregation of various consumption items in the consumption data in accordance with the economic sectors mentioned above for each income quintile. In addition, sectoral government final consumption is calculated by benefiting from 2012 Use table and 2018 Central Government Budget Realizations and Expectations Report. The latter report also constitutes one the main sources of public accounts with 2018 Public Sector General Equilibrium Table.

Furthermore, for the awqāf accounts, different data sources are used for different awqāf types. For fused awqāf, we used Annual Report of Directorate General Foundations (DGF) 2018 since the responsibility of administration of fused awqāf belongs to DGF. For annexed, new and minority awqāf accounts, we used Selected Data for Annexed, New and Minority Awqāf, 2015-2019 tables. For waqf universities, Waqf Higher Education

Institutions Report 2020 of Higher Education Council is used. We also benefited from Education expenditure by level of education and financial source, 2011-2019 table of TurkStat for education expenditures done by public and waqf universities comparatively. For waqf subsidiaries, we benefited from the press declarations of the mutawalli of Turkish Armed Forces Foundation (TSKGV)<sup>28</sup>, as well as ASELSAN Annual Report for 2018. For irsādī awqāf, we used Annual Report for Ministry of Family and Social Services 2018 for the data of Social Aid and Solidarity Awqāf.

In addition, the transfer accounts constitute another important part of the SAM. It includes the flows that are transferred among institutions. In that sense, it is a part of institutions accounts, however because of its importance and wide scope, it is mentioned separately from the institution accounts. For transfer accounts, we benefited from Survey of Income and Life Conditions (SILC) micro data 2019, 2018 Institutional Sector Accounts, Distribution of annual equivalized household disposable income by type of income and quintiles 2019 of TurkStat and Çarkoğlu & Aytaç (2020). SILC 2019 is used for household income quintile shares for transfers made and received from other institutions, Institutional sector accounts is used for total values of transfers among institutions and Çarkoğlu & Aytaç (2020) is used for intra-household transfers and the amount of *zakāh*, *sadaqah al fitr* and *infaq* within the intra-household transfers.

**Table 5.2:** Data Sources of SAM Accounts

Commodity and Activity Accounts	<ul style="list-style-type: none"> <li>• 2012 Make and Use Tables in basic prices (TurkStat, 2016a)</li> <li>• 2018 GDP by kind of economic activity, income approach (TurkStat, 2019a)</li> <li>• 2018 Institutional Sector Accounts (TurkStat, 2019b)</li> </ul>
Factor Accounts	<ul style="list-style-type: none"> <li>• 2018 Institutional Sector Accounts (TurkStat, 2019b)</li> <li>• 2018 GDP by kind of economic activity, income approach table (TurkStat, 2019a)</li> <li>• Distribution of annual equivalized household disposable income by type of income and quintiles, 2019 (TurkStat, 2020b)</li> </ul>
Institutions	<ul style="list-style-type: none"> <li>• 2012 Make and Use Tables in basic prices (TurkStat, 2016a)</li> <li>• 2018 Institutional Sector Accounts (TurkStat, 2019b)</li> </ul>

<sup>28</sup> The press declarations are used due to lack of data for TSKGV. As mentioned previously, in Türkiye the data for individual awqāf is not publicly available, since DGF does not authorize researchers to use their micro data for awqāf.

	<ul style="list-style-type: none"> <li>• Household Budget Survey – Consumption Data 2018 (TurkStat, 2019c)</li> <li>• Survey of Income and Life Conditions Micro Data, 2019 (TurkStat, 2020c)</li> <li>• 2018 Institutional Sector Accounts (TurkStat, 2019b)</li> <li>• Distribution of annual equivalized household disposable income by type of income and quintiles, 2019 (TurkStat, 2020b)</li> <li>• Çarkoğlu &amp; Aytaç, 2020</li> <li>• Central Government Budget Realizations and Expectations Report, 2019 (Presidency of Strategy and Budget, 2019a)</li> </ul>
Public Accounts	<ul style="list-style-type: none"> <li>• Central Government Budget Realizations and Expectations Report, 2019 (Presidency of Strategy and Budget, 2019a)</li> <li>• Gross Fixed Public Investments by Sector Table, 2019 (Presidency of Strategy and Budget, 2019b)</li> </ul>
Awqāf Accounts	<ul style="list-style-type: none"> <li>• Annual Report of Directorate General Foundations 2018 (Directorate General of Foundations, 2019a)</li> <li>• Selected Data for New Awqāf, 2015-2019 (Directorate General of Foundations, 2020a)</li> <li>• Selected Data for Annexed Awqāf, 2015-2019 (Directorate General of Foundations, 2020b)</li> <li>• Selected Data for Minority Awqāf, 2015-2019 (Directorate General of Foundations, 2020c)</li> <li>• Waqf Higher Education Institutions Report 2020 (Higher Education Council of Türkiye, 2020)</li> <li>• Education expenditure by level of education and financial source, 2011-2019 (TurkStat, 2020a)</li> <li>• ASELSAN Annual Report, 2018 (ASELSAN, 2019)</li> <li>• Annual Report for Ministry of Family and Social Services, 2018 (Ministry of Family and Social Services, 2019)</li> </ul>
Foreign Trade and International Transfer Accounts	<ul style="list-style-type: none"> <li>• 2012 Make and Use Tables in basic prices (TurkStat, 2016a)</li> <li>• 2018 Institutional Sector Accounts (TurkStat, 2019b)</li> <li>• Selected Data for New Awqāf, 2015-2019 (Directorate General of Foundations, 2020a)</li> <li>• Selected Data for Minority Awqāf, 2015-2019 (Directorate General of Foundations, 2020c)</li> </ul>
Capital Accounts	<ul style="list-style-type: none"> <li>• 2018 Institutional Sector Accounts (TurkStat, 2019b)</li> <li>• Gross Fixed Investments by Sectors, 2019 (Presidency of Strategy and Budget, 2019b)</li> <li>• Erdem, 2017</li> <li>• Education expenditure by level of education and financial source, 2011-2019 (TurkStat, 2020a)</li> <li>• Waqf Higher Education Institutions Report 2020 (Higher Education Council of Türkiye, 2020)</li> </ul>

Finally, for capital accounts, we benefited from Gross Fixed Investments by Sectors 2019 for sectoral physical investments and Erdem (2017) for saving coefficients of household income quintiles. Erdem (2017) calculated the saving coefficients of income quintiles until 2013, as 2013 coefficients are taken as the basis for the preparation of SAM. Since

the data is collected from various sources, there are differences in the row and column accounts, which constitute a general problem in most of the studies that are based on social accounting matrix. In order to equalize the column and row accounts, there are three main methods that are widely used, which are RAS, least squares and cross-entropy techniques. We employed the cross-entropy method that is developed by Robinson et. al. (2001) through using General Algebraic Modeling System (GAMS) software.

Cross entropy method offers a powerful method in estimating a SAM when dealing with an inconsistent data (Robinson, et. al., 2001, p. 61). The method only uses all the available information in the inconsistent SAM and balance its row and column accounts in a way that the coefficients is preserved as much as possible. Cross entropy method has advantages especially for column coefficients, that represent the expenditure side of the economy.

### 5.1.3. Balance of Commodity and Activity Accounts

The fundamental sources for commodity and activity accounts are Make and Use tables, first of which provides the information for produced sectoral output, whereas the latter represents the sectoral intermediate consumption. For the supply matrix in the SAM, which represent the domestic output, the transpose of Make table is used, then the sectoral exports are subtracted from the sectoral output. Columns of the Make table correspond to commodity accounts, whereas the rows correspond to the activity accounts. Due to lack of sectoral intermediate consumption data for 2018, the intermediate consumption dynamics of Turkish economy is assumed to be the same in 2012 but updated with 2018 values.

**Table 5.3:** Balance of activity accounts

Activity Column Accounts		2018	Activity Row Accounts		2018
Intermediate Consumption		4 042 319 000	Output		7 433 047 000
Value Added	Capital Input	2 235 039 000			
	Labor Input	1 130 378 000			
Taxes on Production		25 310 670			
<b>Total</b>		<b>7 433 047 000</b>	<b>Total</b>		<b>7 433 047 000</b>

The structure of social accounting matrix requires that each row and its corresponding column should be equal. This follows from the activity row —that consists of commodities in domestic markets and exported commodities— should be equal to activity column, which represents gross domestic production (GDP) that includes intermediate consumption, gross value added, and indirect taxes minus subsidies. Hence, for activity accounts intermediate consumption, gross value added, indirect taxes minus subsidies should be equal to the total output produced in the economy. The details can be seen in Table 5.3.

In terms of commodity accounts, commodity row represents the aggregate demand in which intermediate consumption demand, final consumption demand (private, public and waqf), and investment demand (private, public and waqf for physical capital) take place. Corresponding to commodity row, commodity column represents the aggregate supply and includes domestic production, imports, and direct taxes. Thus, for commodity accounts aggregate supply should be equal to aggregate demand. The details can be seen in Table 5.4.

**Table 5.4:** Balance of commodity accounts

<b>Commodity Accounts</b>	<b>Column</b>	<b>2018</b>	<b>Commodity Row Accounts</b>	<b>2018</b>	
Output		7 433 047 000	Intermediate Good Demand	4 042 319 000	
Imports		1 138 562 000	Final Demand	Households	2 199 479 100
Taxes on Products		330 469 000		Government	537 429 7000
				Waqf	11 594 787
			Exports	1 104 338 000	
			Physical Capital Formation	Public	61 392 900
				Private	915 198 800
				Waqf	30 325 460
<b>Total Supply)</b>	<b>(Aggregate</b>	<b>8 902 078 000</b>	<b>Total (Aggregate Demand)</b>	<b>8 902 078 000</b>	

Consequently, activity accounts require the equality of GDP calculated by the income approach and the production approach, whereas the commodity accounts require the equality of aggregate supply and aggregate demand.

#### 5.1.4. Balance of Factor Accounts

For factor accounts, the key sources of data are 2018 GDP by kind of economic activity by income approach table and 2018 Institutional Sector Accounts of TurkStat. The latter provides the information for gross operating surplus, compensation for employees and total income of production factors, whereas the former elaborates these accounts for their sectoral distribution. The details of factor accounts can be seen in Table 5.5.

#### 5.1.5. Balance of Institution Accounts

Institutions consist of household income quintiles, non-financial and financial firms, government, as well as awqāf.

**Table 5.5:** Balance of factor accounts

Factor Column Accounts		2018	Factor Accounts	Row	2018
Capital Income	Non-financial Firms*	1 072 946 000	Capital Input		2 235 039 000
	Financial firms*	71 812 370	Labor Input		1 130 378 000
	Household: Bottom Quintile*	58 340 510			
	Household: Second Quintile*	89 259 180			
	Household: Third Quintile*	116 473 000			
	Household: Fourth Quintile*	158 787 900			
	Household: Top Quintile*	430 152 400			
	Government*	204 009 500			
	New Awqāf	17 346 720			
	Waqf Universities*	9 110 586			
	Fused & Annexed Awqāf	610 307			
	Irsādī Awqāf	5 957 463			
	Minority Awqāf	233 264			
	Labor Income	Household: Bottom Quintile	50 875 476		
Household: Second Quintile		110 795 481			
Household: Third Quintile		163 931 856			
Household: Fourth Quintile		253 245 670			
Household: Top Quintile		551 711 257			
<b>Total</b>	<b>3 365 417 000</b>	<b>Total</b>	<b>3 365 417 000</b>		

\*: Contains haram earnings mostly consist of interest-based income. Some portion of capital income of non-financial firms include earnings from haram products.

**Table 5.6: Balance of Household Accounts**

Household Accounts		Column	2018	Household Accounts		Row	2018
Final Consumption Expenditure	Household: Bottom Quintile'		157 298	Capital Income	Household: Bottom Quintile*		58 340
	Household: Second Quintile'		500		Household: Second Quintile*		510
	Household: Third Quintile'		264 591		Household: Third Quintile*		89 259
	Household: Fourth Quintile'		500		Household: Fourth Quintile*		180
	Household: Top Quintile'		357 964		Household: Top Quintile*		116 473
			700				000
			476 983				158 787
			000				900
			942 641				430 152
			400				400
Transfers	Intra-household transfers		179 100	Labor Income	Household: Bottom Quintile		63 444 750
	Households to New Awqāf		178		Household: Second Quintile		125 956 300
	Households to Annexed Awqāf		14 562 605		Household: Third Quintile		176 338 100
	Households to Minority Awqāf		20 170		Household: Fourth Quintile		265 463 000
	Households to Financial Firms*		81 957		Household: Top Quintile		499 176 200
			52 114 703				
Taxes Paid by Households			163 183 975		Intra-household transfers		179 100 178
Savings	Household Physical Savings		239 680 566		Government to Households		213 796 260
					New Awqāf to Households		408 818
					Fused & Annexed Awqāf to Households		560 670
					Irsādī Awqāf to Households		2 959 164
					Minority Awqāf to Households		6 643
					Foreign Transfers to Households		11 594 787
					Non-financial firms to Households'		313 007 860
					Financial firms to Households*		137 231 139
Total			2 847 080 500	Total			2 847 080 500

': Contains haram income and expenditures earned from or spent to haram products and services.

\*: Contains haram expenditures mostly consist of interest-based transactions.

### **5.1.5.1. Balance of Household Accounts**

As mentioned above, households are represented by five income quintiles for the effort to reflect the income inequality and poverty dynamics in the model. In that regard, household disaggregation is one of the most challenging aspects for preparation of SAM. The total values for household final consumption, transfers, taxes, and savings are acquired from 2018.

Institutional Sector Accounts. The final consumption expenditures are calculated by using Household Budget Survey – Consumption Data 2018 for each income quintile, mostly in line with the sectoral aggregation of Turkish economic sectors given in Table 5.2. In addition, for the transfers and taxes the household disaggregation is done through using Survey of Income and Living Conditions (SILC) 2019. Since this survey reports values of the previous year, SILC 2019 is used. The intra-household transfers are being calculated through using SILC 2019 and Çarkoğlu & Aytaç (2020). Then, the tax coefficient of each household income quintile is calculated, as these coefficients reflect the information relevant to taxes paid by households except income tax. The household accounts can be seen in Table 5.6. The details of household transfers and savings will be mentioned in following chapters insha'Allah.

### **5.1.5.2. Balance of Public Sector Accounts**

For public sector accounts, the sectoral government final consumption or government expenditure coefficients are derived from Central Government Budget Realizations and Expectations Report 2019 for education, defense (recorded under machinery & equipment sector in SAM) and health. The other sectoral government final consumption expenditure coefficients are taken from 2012 Use table. The other data source is Gross Fixed Public Investments by Sector for 2019 published by Presidency of Strategy and Budget, which is used for disaggregating the public physical capital investments on sectoral basis. In addition, we benefit from Institutional Sector Accounts 2018 for the total value of social transfers, whereas we disaggregated it for five household income quintile groups through SILC 2019.

On the other hand, there also transfers that were made from the government to the awqāf, including new awqāf, irsādī awqāf, and minority awqāf, which is calculated by using DGF data for new and minority awqāf as well as the annual report of Ministry of Family and



transportation, fuel, and construction sectors. They also make and receive transfers to households, as the government both subsidize and tax their income generating activities. In addition to their final consumption expenditure, transfers, and taxes, they are paying wages to households and spending for their contingency reserves and administrative expenses. Then, the remaining amount from their revenues are allocated for savings, which then being transformed into physical investment.

For fused awqāf we benefited from Annual Report of Directorate General Foundations 2018 since they are administrated by DGF, whereas for annexed awqāf from Selected Data for Annexed Awqāf for 2015-2019 published by Directorate General Foundations. Fused and annexed awqāf are treated as one body since they represent the Ottoman and Seljuk waqf heritage. For new awqāf, we benefited from Selected Data for New Awqāf for 2015-2019, published by DGF. Moreover, for minority awqāf, we benefited from DGF's Selected Data for Minority Awqāf for 2015-2019. Lastly, for irsādī awqāf accounts, since they are administrating under Ministry of Family and Social Services, we benefited from Annual Report for Ministry of Family and Social Services 2018.

**Table 5.8: Balance of Awqāf Accounts**

Awqāf Column Accounts		2018	Awqāf Row Accounts		2018
Fused & Annexed	Final Consumption	18 901	Fused & Annexed	Capital Income*	610 307
	Transfers to Households	560 670		Aid and Donations	20 170
	Taxes	16 085			
	Savings	34 820			
	Fused & Annexed Awqāf	630 476		Fused & Annexed Awqāf	630 476
	Total Expenditure			Total Revenue	
New Awqāf	Final Consumption	5 177 133	New Awqāf	Capital Income	1 538 000
	Transfers to Households	408 818		Aid and Donations	13 420 191
	Taxes	1 091 509		Government Subsidies	1 142 414
	Donations to Abroad	59 108		Donations from Abroad	258 711
	Savings	9 605 668			
	New Awqāf Total	16 360 228		New Awqāf Total Revenue	16 360 228
Irsādī	Final Consumption	2 998 298	Irsādī	Capital Income	5 957 463
	Transfers to Households	2 959 164			
	Irsādī Awqāf Total	5 957 463		Irsādī Awqāf Total Revenue	5 957 458
Minority	Final Consumption	92 220	Minority	Capital Income*	233 264
	Transfers to Households	6 643		Aid and Donations	81 957
	Taxes	53 555		Government Subsidies	6 531
	Savings	183 294		Donations from Abroad	13
	Minority Awqāf Total	335 713		Minority Awqāf Total Revenue	335 713
	Tot	23 283 880		Total	23 283 880

\*: Contains haram expenditures mostly consist of interest-based transactions.

Furthermore, for the transfers being done from awqāf to households, we disaggregated the household shares through using other income item for income quintile groups that take place in SILC 2019 published by TurkStat. In addition, new awqāf, fused-annexed awqāf and minority awqāf accounts are subtracted from households' accounts and be introduced as new items in SAM in accordance with the SNA requirement, which accepts non-profit institutions servicing to households (NPISH) as a part of households.

As the fifth component of awqāf sector, waqf universities are analyzed independently from their new awqāf founders because of their different economic functions and specifications. The main revenue items of waqf universities are tuition fees paid by households, financial income most of which are acquired from interest-based harām financial activities, rental income as well as income obtained from R&D activities. The details of awqāf accounts can be seen in Table 5.8.

**Table 5.9:** Balance of Waqf Universities and Companies Accounts

Waqf Universities and Companies Column Accounts		2018	Waqf Universities and Companies Row Accounts		2018
Waqf Universities	Final Consumption Expenditure	3 771 160	Waqf Universities	Capital Income	9 110 586
	Taxes	1 126 471			
	Savings	4 675 880			
	Waqf Universities Total Expenditure	9 110 586		Waqf Universities Total Revenue	9 110 586
Waqf Companies	Savings	15 788 664	Waqf Companies	Capital Income	15 807 808
	Taxes	19 144			
	Waqf Companies Total Expenditure	15 807 808		Waqf Companies Total Revenue	15 807 808
	Total	24 918 394		Total	24 918 394

\*: Contains haram expenditures mostly consist of interest-based transactions.

On the other hand, waqf universities make education final consumption expenditure on behalf of households through the scholarships they grant, as they also make physical capital investments. We benefited from Waqf Higher Education Institutions Report 2020 published by Higher Education Council (YÖK) as well as Education expenditure by level of education and financial source for 2011-2019 and Statistics on research and

development activities for 2001-2018 published by TurkStat for the preparation of waqf university accounts.

Waqf companies constitute the last component of the awqāf sector. As mentioned in previously, in this study waqf companies are represented only by the subsidiary companies of Turkish Armed Forces Foundation (TSKGV). Their economic role mostly reflects on physical capital investments. Their main revenue items are capital income and financial income most of which are acquired through interest-based harām activities. After paying taxes, they allocate these revenues to defense, machinery, and equipment industry production as well as R&D investments, which are recognized as physical capital investment respectively.

**Table 5.10:** Balance of Foreign Trade and International Transfer Accounts

Foreign Trade & International Transfer Column Accounts		2018	Foreign Trade & International Transfer Row Accounts		2018
Rest of World	Exports*	1 104 338 000	Imports		1 138 562 000
	International Transfers to Non-Financial Firms	16 737	Non-Financial Firm Transfers to Abroad		49 103 610
	International Transfers to Households	16 528 907	Financial Firm Transfers to Abroad*		15 455 140
	International Transfers to New Awqāf	258 711	International Aid of New Awqāf		59 108
	International Transfers to Minority Awqāf	13 960			
	Foreign Savings	82 019 600			
	Total	1 203 176 000	Total		1 203 176 000

\*: Contains haram expenditures mostly consist of interest-based transactions.

': Contains haram income and expenditures earned from or spent to haram products and services.

The defense industry and machinery-equipment industry production of waqf companies are recognized as physical capital investments according to SNA 2008 requirements, since military weapon systems used continuously in the production of defense services are recognized as fixed assets in SNA 2008 (OECD, 2015, p. 92). However, due to the limitation of data, newly acquired physical waqf assets in 2018 cannot be added under

the physical capital investment of waqf sector. Another limitation is the scope of waqf companies as they are limited to subsidiary companies of TSKGV, due to the limitation of data. For waqf company accounts we benefited from the press statements of the mutawalli of TSKGV, ASELSAN Annual Report 2018, and Turkish Time, R&D Expenditures Top 250 Report 2018. The details of the waqf university and waqf company accounts can be seen in Table 5.9.

Finally, due to data limitations and difficulties stemming from their addition to the model and SAM, the following accounts are not taken into consideration in the SAM:

- Newly acquired physical waqf assets in 2018,
- The contribution of the waqf universities to the skilled labor stock of the country,
- The economic contribution of waqf companies other than of TSKGV,
- Physical capital investments, financial revenues, and paid taxes of TSKGV subsidiary companies except ASELSAN,
- Defense industry exports of TSKGV subsidiary companies.

Thus, it can be said that the results might understate the real waqf impact on Turkish economy due to these limitations.

#### **5.1.6. Balance of Foreign Trade and International Transfer Accounts**

Another component of the SAM is the activities that are related to rest of world, including foreign trade and international transfers. As an open economy, Türkiye has intensively engaged in export and import trade activities since 1980s. In addition, most of the institutions in Turkish economy makes and receives transfers on international basis. Among these institutions, we can mention non-financial and financial firms, households, government, new awqāf and minority awqāf. For foreign trade accounts, we benefit from Use Table 2012 and Make Table 2012 of TurkStat, by assuming the sectoral distribution of exports and imports in 2012 is kept same for 2018, thus we only updated the total amount of exports and imports in 2018. It should be noted that this might be accepted as one of the limitations of the study. For international transfer accounts, we benefit from Institutional Sector Accounts 2018 as well as Selected Data for New and Minority Awqāf of DGF. The details can be seen in Table 5.10.

### 5.1.7. Balance of Capital Accounts (Savings and Investment)

Capital accounts represents the saving and investment activities in our social accounting matrix. The savings are channelized into physical capital investments in full sense. In addition, both the savings and investments are disaggregated into three main units that are public, private and waqf.

We benefit from different data sources in the preparation of savings and investment accounts. Firstly, we used Institutional Sector Accounts 2018 for savings of institutions (households, government, non-financial and financial firms) and total amount of physical capital investment (gross capital formation) made in Turkish economy. Then, in order to disaggregate household savings into different income quintile groups, we benefited from Erdem (2017), which calculated the saving coefficients of household income quintiles until 2013, as we used the 2013 savings coefficients for household disaggregation.

**Table 5.11:** Balance of Capital (Savings and Investment) Accounts

Investment Accounts		(Column)	2018	Savings Accounts		(Row)	2018
Physical Investment	Public		61 392 900	Non-financial Firms			454 694 900
	Private		915 198 800	Financial firms*			138 803 700
	Waqf		30 325 460	Households			239 680 566
				Government			61 392 900
				New Awqāf			9 605 668
				Waqf Universities			4 675 880
				Waqf Companies			15 788 662
				Fused & Annexed Awqāf			34 820
				Minority Awqāf			183 294
				Rest of World			82 019 600
Total			1 006 917 160	Total			1 006 917 160

\*: Contains haram expenditures mostly consist of interest-based transactions.

For bottom 60%, Erdem (2017) reports negative coefficients, however for the model to function properly we assumed that they have very limited savings rate and subtracted the sum of negative savings or debt from the savings of top 20%. Such a transaction would not affect the investments, since investments are given under three categories, which are public, private and waqf. All the households are the part of private investments, as the total amount of investments kept at same level. In addition, we used Gross Fixed Investments by Sectors 2019 published by Presidency of Strategy and Budget for sectoral public physical capital investments. Then for waqf physical capital investments we

benefited from the press statements of TSKGV mutawalli, education, Education expenditure by level of education and financial source for 2011-2019 by TurkStat as well as ASELSAN annual report for 2018. Lastly, we also benefited from almost all the data sources that are used in awqāf accounts for determining the awqāf savings. It should be noted that, as a central assumption, it is assumed that all the savings are transformed into investments. The details can be seen in the Table 5.11.

Consequently, SAM is a matrix representation of flows of all economic transactions within an economy in terms of commodities, activities, economic agents, and sectors. Hence, a SAM briefly summarizes all these income and expenditure flows in an economy within a square matrix representation. In order to construct a national SAM that is capable to reflect Turkish economy, we used a wide range of data from different sources. These data requirements can be classified under five sub-account categories, such as commodity and activity accounts, factor accounts, institutions (public accounts, private sector accounts, awqāf accounts), foreign trade accounts, and capital accounts. In this chapter, these accounts and their relation with SAM are explained, Allah the Almighty knows best.

## CHAPTER 6

### 6. METHODOLOGY AND THE MODEL

As mentioned through several aspects in the previous chapters, the economic impact of awqāf is worth to consider on the ground of their role within the circular flow of Turkish economy. One of the important motivations behind such an attempt would be the fact that they represent the institutionalized form of perpetual charity (*sadaqah jariyah*), which are made for the sake of Allah Ta'ālā mostly to serve to the poor, needy, orphans and the wayfarer. In addition, it helps to widen the institutionalization of philanthropy and righteousness by forming a societal and charity infrastructure as a public but non-governmental institution. It might also contribute to the formation of a powerful third sector that is capable to perform an intermediary role in the fundamental economic activities such as allocation of resources, redistribution, consumption, production, and investment.

Moreover, they might contribute to the implementation of some injunctions of the glorious Shari'ah, such as establishing a Shari'ah compliant tax system through decreasing the tax burden and lightening the burden of the government in provision of public services (Çizakça, 2000, pp. 2-3), as well as abolishing ribā from the economy through need-fulfillment and offering alternative financing methods (Tag el-Din, 2008: pp. 141).

Furthermore, exploring the potential of awqāf in terms of their contribution to the economic power and independence of Ummah of Muhammad ﷺ through increasing their welfare, employment and production would be another motive behind such a quest.

Notwithstanding these motivations constitute an adequately suitable basis to study the impact of awqāf in Turkish economy, it is worth to mention that their impact should not be evaluated within the economic sphere; since the economic variables carry value because of the higher objectives that they serve from the Islamic point of view. For instance, income inequality would assumed to be important if it leads to the flow of political and economic power from the poor to the rich, through which the criterion of legitimacy within the society becomes power rather than the rightfulness, as unity and brotherhood of the Muslims are damaged in this case. Similarly, increasing amount of income transfers being done by the rich to the poor in the form of waqf benefits, zakāh or infāq would be of vital importance, since it indicates that more people abide the orders

and recommendations of Allah Ta'ālā and His Prophet ﷺ, as well as it leads Muslims to stand shoulder to shoulder in their prayers and other actions in their lives “*as if they were one concrete structure*” (as Saff, 61/4).

Thus, this chapter deals with the calculation of the impact of awqāf in Turkish economy in consideration with the above-mentioned motivations.

### **6.1.Methodology: Computable General Equilibrium Modelling**

The number of studies based on the economic analysis of Islamic economics and finance theories on contemporary economies has remained limited in the literature compared to other research areas. Possible reasons behind such a lower interest might be stemming from the fact that the researchers have faced with some obstacles in their course of research, such as lack of data and the recently emerging status of some Islamic economic and financial practices. Although researchers have been subjected to these constraints, some of the economic modelling techniques such as computable general equilibrium models might give an opportunity to study the possible impacts of the policies in question. Hence, computable general equilibrium modelling technique constitutes the main methodological tool of this study.

Computable General Equilibrium (CGE) modelling is based on a neo-classical theory, in which the simultaneous interaction of economic behaviors of different agents are analyzed. Following the development of input-output analysis and linear programming models that had been used for national accounting, CGE models were on the rise due to the fact that input-output and linear programming models are “best suited to a situation in which a central authority fully in control”, as “they are constructs that best reflect a pure command economy” (Derviş et. al., 1982, p. 131). Existence of market mechanism with free interaction of endogenous price and quantities as well as autonomous economic decision makers might require the usage of different techniques that are capable to reflect their impact on economy (Derviş et. al., 1982, p. 132). In general, the theoretical foundations of the model have been associated with Walrasian equilibrium and Arrow-Debreu model. Walrasian equilibrium represents a vector of prices and quantities of goods for each economic agent such that consumption of every agent maximizes his utility for given prices and total demand for each commodity equals the aggregate endowment — that means market clears (Levin, 2006, p. 4). Then, Kenneth Arrow and Gerard Debreu extended Walrasian equilibrium by proving the existence of

an equilibrium for a competitive economy within an integrated model production, exchange, and consumption, such that aggregate supply will equal aggregate demand for each commodity<sup>29</sup>. Although these might constitute the foundations of CGE models, they are of an abstract and theoretical studies in contrast with the nature of CGE models that are designed to establish a numerical framework for empirical analysis (Hosoe et. al., 2010, p.2).

However, most CGE models do not conform to the foundations of neo-classical general equilibrium theory, as they also allow for imperfect competition and non-market clearing conditions. In addition, CGE is a kind of economic model that use actual economic data to estimate how an economy might react to certain policy changes. In that sense, these models are not based on ceteris-paribus assumption; rather they leave a room for interaction of all economic variables through direct and indirect channels. It uses the social accounting matrices (SAM) as data input, which represents flows — derived from input-output tables — of all economic transactions which take place within an economy in terms of different economic agents and sectors. In that sense, this study employs a CGE model, which conducts the impact-analysis of awqāf on Turkish economy.

## **6.2.The Value of Knowledge Derived from Computable General Equilibrium Models**

The assumption that the knowledge derived from any economic model that attempts to abstract the complex reality of relations among the economic agents in an economy — including the CGE models— represents a truth with certainty or an unquestionable fact would be —to say at least— a quite inappropriate manner, which is beyond the measure. Because every economic model represents a highly simplified description of reality subjected to some certain theoretical assumptions, which might not be valid in reality. Notwithstanding non-linear mathematical equations are extensively used with a great number of variables in these days, they are not capable to adequately explain the complex nature of the economic relations. In addition, they have a subjective nature in terms of variable selection that determines which variables are exogenous and endogenous, as well

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<sup>29</sup> There are also some other studies that criticize the relevance of CGE models with Walrasian equilibrium and Arrow-Debreu models, see Mitra-Kahn (2008).

as macro closure rules that would matter on the results to some extent (Burfisher, 2016, pp. 39-40). Moreover, the theoretical foundation of these models is based on some certain assumptions that are rarely valid in real life, such as perfect competition and convexity of preferences. Thus, all these considerations would lead a modeler to understand the knowledge value of the model output properly in order to have a grasp of the nature and limitations of his effort.

In such an effort, there is a multi-layered framework for the economists to understand the real meaning of their effort and its limitations. Firstly, it should be noted that these models are designed for the effort to understand the phenomena that occur within the *Sunnah* of Allah among the ones that Allah the Almighty created with His Will and Power. Because of this reason, we are able to analyze them within a pattern, as there are many phenomena, which are created in a way that they are not subjected to any pattern. Each of the categories occur because the Allah the Exalted decreed, however the former can be learned by His slaves within a pattern. In the second layer, we can understand the phenomena that occur within the *Sunnah* of Allah the Almighty in a very limited sense at best, since we are not able to have a grasp of the high level of complexity that take place among the infinite number of variables in our lives. Then, in the third layer, we try to abstract this quite incomplete understanding of the reality through mathematical equational relationships within a modeling framework that increases the level of incompleteness of our perception in the face of explaining the real phenomena. In this layer, we also face with some problematic and misleading prepositions of neo-classical economic theory, such as indifference against harām and halāl and household behavior. In the fourth layer, in the presence of such an incomplete understanding, the lack of data collection —stemming from the reasons, such as their collection from different sources in an inconsistent manner or the balancing techniques that are used to balance the column and row accounts of SAM like cross-entropy or least squares methods— lead the modelers to understand and explain the reality that Allah Ta’ālā created with His Greatness within a very limited and simplified scope, so that they should be highly careful in the knowledge value of their conclusions.

It should be noted that CGE models based on the assumption that prices and quantities are determined endogenously through the free interaction of demand and supply components, so that all the other endogenous variables are determined in accordance with the changing prices and quantities. Hence, all the variables in the model frequently

changes in accordance with the endogenous price changes that are subjected to changes and shocks in any variable that influence demand and supply.

In that regard, as a fundamental principle of Islamic economics for the determination of the prices, in a hadith narrated by Anas b. Mālik (RA), Rasūlullah ﷺ stated that:

إِنَّ اللَّهَ هُوَ الْمُسَعِّرُ الْقَابِضُ الْبَاسِطُ الرَّزَّاقُ وَإِنِّي لَأَرْجُو أَنْ أَلْقَى اللَّهَ وَلَيْسَ أَحَدٌ مِنْكُمْ  
يُطَالِبُنِي بِمَظْلَمَةٍ فِي دَمٍ وَلَا مَالٍ

*“Indeed, Allah is the One who fixes/determines prices (al Musa’ir), the Withholder (al Qābid), the Extender (al Bāsīt), and the Provider (ar Razzāq). Indeed, I wish to meet Allah while none of you will have any claim against me for an injustice regarding blood or property<sup>30</sup>” (Abū Dāwūd, Buyū’ 51; Tirmidhi, Buyū’ 73).*

In the light of this glorious hadith, admittedly these models ground on the market mechanism that is assumed to work in accordance with the free interaction of supply and demand, as it might be evaluated among the phenomena that occur within the *Sunnah* of Allah among the ones that Allah the Exalted created. In all the cases, this model is designed under a complete and absolute belief that the prices are completely determined by Allah Ta’ālā, as He is the Provider, Extender, and the Withholder. Our effort is about to reflect the possible impact of awqāf in Turkish economy through abstracting the highly complex reality into a basic economic model that is based on endogenous price mechanism with our limited and inadequate knowledge and capacity, as Allah the Almighty solely and absolutely determines the prices and other economic variables in the real sense ultimately and only He knows the best.

In order to have an insight about the knowledge value of the output of these models, we can benefit from the hierarchy of knowledge that is used in the logic, as well as the Sharī’ah sciences. A kind of six-layered hierarchy of knowledge can be seen in Figure 6.1. These levels constitute the truth with certainty (*al haqq bi yaqīn*), contentment (*tum’anīnah*), overwhelming opinion (*al zann al rājih / al ghālib*), doubt (*shakk*), opinion rejected by overwhelming opinion (*al zann al marjūh*) and void with certainty (*al bātil bi yaqīn*). Truth with certainty requires a correspondence to reality in a certain way, so that

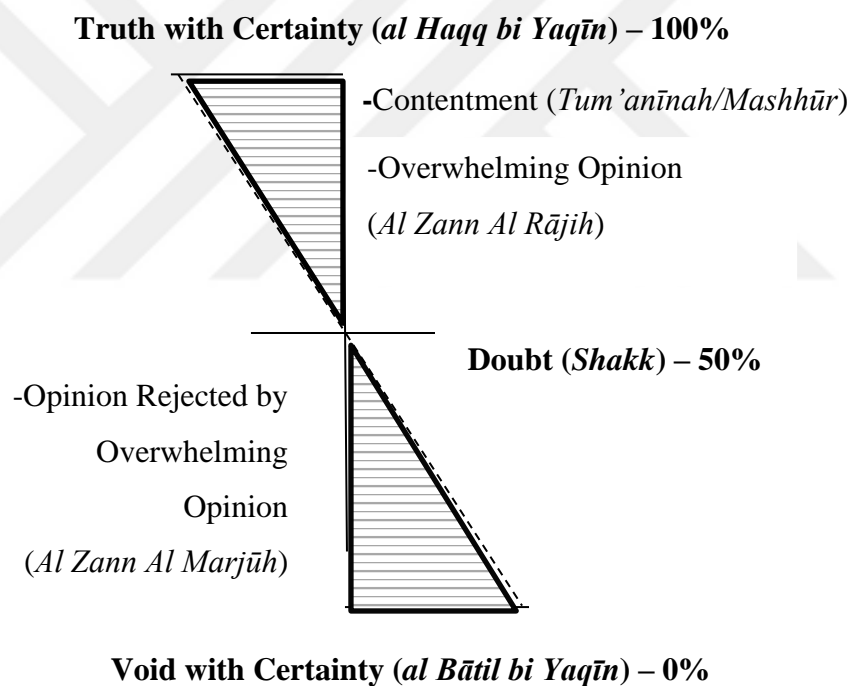
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<sup>30</sup> Tirmidhi says classification of the hadith is sahīh.

the opposite is not possible. Contentment (*mashūr*) is close to truth with certainty in a way that thinking of the opposite might not be possible. When it comes to overwhelming opinion, although it does not reach the level of contentment, its closeness to the truth is predominant, however there might be a possibility of being rejected. There is a range of ranks under this category until the possibility of being rejected and being accepted would be equal, which represent the doubt (*shakk*) category. Then, until it is understood that an opinion is void with certainty, an overwhelming opinion rejects the other possibilities that represents the category of *al zann al marjūh*, as it has a range of ranks just like the overwhelming opinion category (al Maydānī, 1994, pp. 124-126).

**Figure 6.1:** Hierarchy of the Value of Knowledge in Sharī’ah Sciences (Source: al Maydānī, 1994, p. 126)

**Note:** The figure is translated, and the category of “contentment” is added by the author because of its importance in some Sharī’ah sciences such as Hadith and Fiqh.



Since the above-mentioned constraints and limitations of the CGE model output is subjected to, we can say that the knowledge value of the model results would be within the overwhelming opinion category at best —only through the success granted by Allah Ta’ālā— provided that the model and the data are adequately reflect the real dynamics of the economy that is being studied. An overwhelming opinion might be a sufficient evidence for action since the economic studies are relevant with the field of *mu’āmalāt*. However, the model output cannot be assumed as necessary and indispensable (*dharūrī*),

rather it might be evaluated as *instructive*, as they can only provide insights. Only Allah the Almighty knows best.

It should be noted that the purpose of the effort to associate the value of knowledge that is derived from CGE models with the hierarchy of knowledge in Sharī'ah sciences, by no means relevant to an attempt to show the model results as a reliable source of knowledge in terms of Sharī'ah. Rather it is certainly and absolutely about a humble attempt to offer a framework for Muslim economists, which would explain the restricted capabilities and limitations of these models in particular and human intellect in general. Hence, an Islamic economist would be quite careful about the knowledge value of the model results and admit his incompetence in explaining a considerably limited part of the high level of complexity that Allah Ta'ālā created within a perfect order and submit himself to Him by witnessing the glorious signs of His Greatness. In that sense, it can be well understood that the knowledge value of the model results would represent an overwhelming opinion (*al zann al rājih/al ghālib*) at best, as the ability to achieve success (*tawfīq*) in such an attempt only comes from Allah the Exalted and only He knows the best.

In the light of all these considerations, the author of this dissertation admits his incompetency and limitation within a highly incomplete understanding of the complex reality that is created by his Lord the Almighty, for humbly explaining the impact of *awqāf* in Turkish economy.

### **6.3.Literature Review for Computable General Equilibrium Models for Türkiye**

In terms of Computable General Equilibrium (CGE) models designed for Turkish economy, there are several studies on the issues of fiscal economics, development economics, international trade, agriculture economics, environmental economics and transportation economics. In terms of development policy, Dervis et. al. (1982) studied on trade policy, growth and industrial strategy for Türkiye during foreign exchange crisis between 1973 and 1977 and in the post-crisis period. For fiscal policy issues, Yeldan (1997) analyzes the impact of financial liberalization and fiscal repression on Turkish economy, Diao et. al. (1998) studied on how fiscal mismanagement may impede trade reform in Türkiye through an intertemporal multi-sector CGE model, whereas Karadağ and Westaway (1999) investigated the impact of changes in value added tax designed for EU membership on consumer and producer prices in Türkiye.

Ulussever (2011) analyzes the changes in the government deficit financing options on macroeconomic variables in Turkish economy, while Eğin and Akbulut (2019) studied the changes in import tariff rates and their impact on sectoral production in Türkiye. In terms of agriculture policy, Togan (1983) studied the welfare costs arose from common agricultural policy of European Economic Community on Turkish economy, whereas Bayar et. al. (2000) examined the possible impacts of agricultural trade liberalization in Türkiye and European Union.

Doğruel et. al. (2003) studies the macroeconomics of Türkiye's agricultural reforms of stabilization programs in December 1999 and June 2001 in an inter-temporal CGE framework, as Çırpıcı (2011) studied the impact of agricultural liberalization through a reduction in agricultural tariff rates on Türkiye's international trade and agricultural water use, whereas Dudu and Çakmak (2018) investigates the possible impacts of climate change on agriculture and food production.

In terms of environmental policy, Kumbaroğlu (2003) analyzed the impact of environmental taxation on Turkish economy, whereas Çakmak et. al. (2008) studied on macroeconomic and microeconomic feedback links of irrigation water management in Türkiye. For transportation policy, Pişkin et. al. (2020) analyzed the impact of highway investment on the Turkish economy within a multi-regional CGE model.

Voyvoda & Eldan (2015) studied the impact of human and knowledge capital accumulation in Turkish economy through R&D activities, as it is the first R&D-based empirical model for Turkish economy. For an income distribution analysis, Yakut & Voyvoda (2017) studies the effects of public policies on the size distribution of income in Türkiye within an inter-temporal CGE model.

Sarıbaş & Yumuşak (2021) as a theoretical macroeconomic model of Just Economic System — an Islamic economic program suggestion that was proposed by Necmettin Erbakan, the former president of Türkiye — theoretically studies the macro dynamics of the proposed system. In a closed economy framework, the study envisions an interest-free economy, in which government is seen as a third production factor along with the capital and labor. The study also identifies a waqf sector that is assumed to collect all the aids and donations of households and re-distribute them among the poor and needy. Although such an assumption does not reflect the real meaning and characteristics of waqf, the contribution of the study in regard for the inclusion of waqf sector to a

macroeconomic model along with showing the marginal propensity for donation transfers of households through *awqāf*, which in turn increases the multiplier effect in the economy. Since *waqf* sector is assigned to collect and redistribute the donation transfers within such a framework, marginal propensity to donate is kept same at *zakāh* ratio 2.5% for each scenario of the model that shows the least level of donations. In addition, *waqf* transfers is assumed to be a component of the national account. In that sense, this study contributes to the inclusion of *waqf* sector to the economy in a macroeconomic framework.

Bayram (2021) developed the macroeconomic model that was proposed by Saribaş & Yumuşak (2021) in a computable general equilibrium. Similarly, the *awqāf* sector is assumed to collect aids and donations from households and re-distribute them to the poor and needy households. The *awqāf* are assumed to make final consumption expenditure and distribute them to the households as a form of transfer in kind. Notwithstanding the assumptions for *awqāf* sector are not consistent with the real meaning of *waqf* in *Sharī'ah*, this study constitutes a valuable source for our dissertation because of its valuable effort for the inclusion of *waqf* sector in the CGE framework.

In addition, as an important contribution, Ambrose et. al. (2019) studies the impact of *waqf* financing expenditure on federal government debt in Malaysian economy through a Dynamic Stochastic General Equilibrium (DSGE) framework. They found out that *waqf* can help in government debt reduction and provided evidence of a significant third sector role on public finance dynamics with reference to intermediary role of *waqf* and altruistic behavior of households.

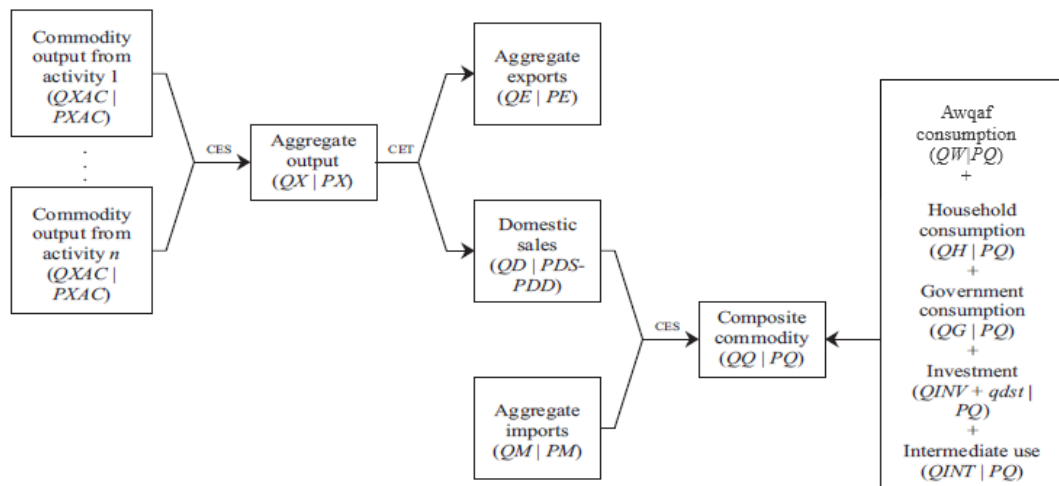
#### **6.4. Description of the Model**

For the model design, we benefited from Pişkin et. al. (2020), Kaliba et. al. (2007) and Torma & Rutherford (1992). Kaliba et. al. (2007) is an adjusted model of IFPRI's standard CGE model, which was developed to assess the potential impact of U.S.'s African Growth Opportunity Act (AGOA) on Tanzania based on 2001 accounts. It is an open-economy model in which 44 economic sectors take place with 12 household groups. The model has three different economic agents that are households, government and private firms. On the other hand, Torma & Rutherford (1992) was designed to investigate the effects of the so called 'Consistent Tax Reform' for Finland. In this model, there are 26 sectors and 5 household income groups. Both the models are based on the widely accepted CGE logic; the final goods are produced through intermediate inputs and value

added. Then the output produced is distributed to domestic and export markets. At the same time, domestic goods and imported goods constitute a composite good (Armington composite good) that flows within the domestic markets in the form of final consumption goods and intermediate goods. Then, households and government make final consumption expenditure and physical investments through these goods. In addition, the government levies taxes on production factors, domestic and imported products, export taxes and income taxes, whereas the government makes social transfers to the households at the same time.

**Figure 6.2:** Flows of Marketed Commodities  
(Source: Lofgren et. al., 2002, p.12)

**Note:** Awqāf consumption is added to the figure by the author, as investment consists of private, public and waqf investments. CES denotes constant elasticity of substitution, whereas CET refers to constant elasticity of transformation.



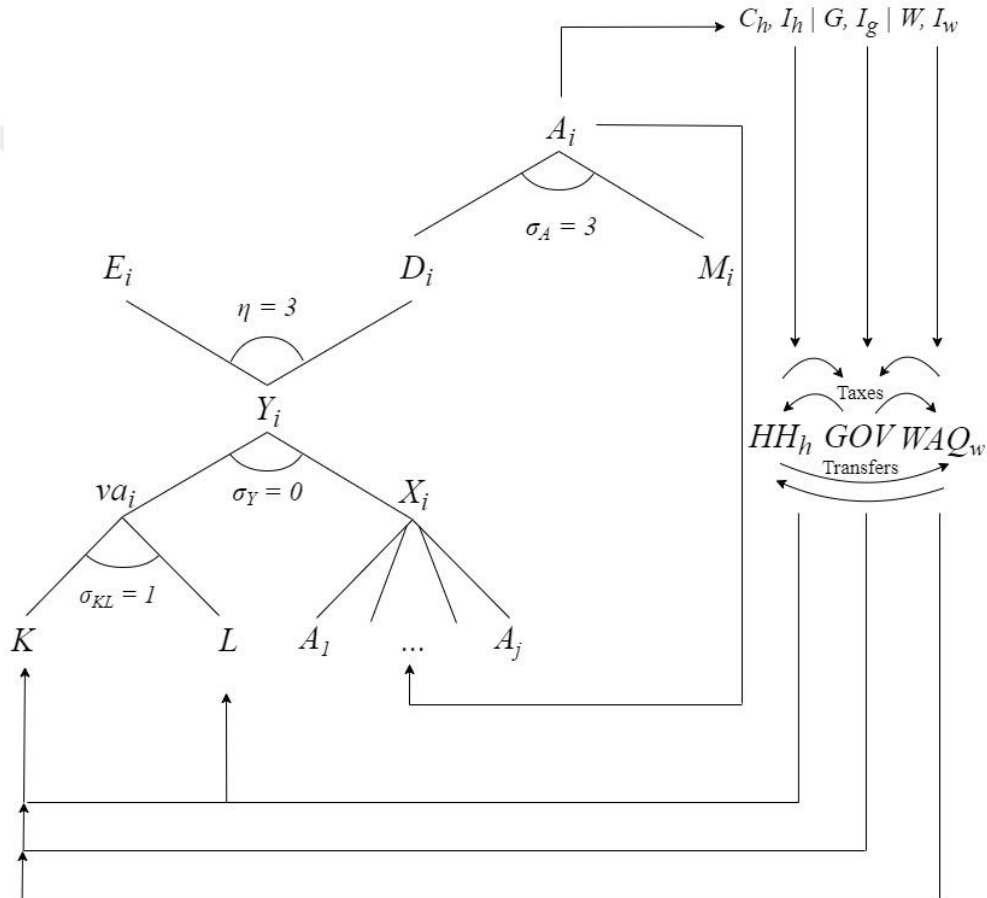
The main differences of these two models in terms of modelling techniques are the commodity/market identification for each economic agent in Kaliba et. al. (2007), whereas the Torma & Rutherford (1992) took Armington composite good price as basis for all the economic agents, whereas in Kaliba et. al. (2007) government is assumed to have factor income as well. Another important point is the reflection of rest of world accounts in government demand block in Kaliba et. al. (2007) which is in parallel with IFPRI standard CGE model.

In consideration with these points, our model mostly benefitted from Kaliba et. al. (2017) while not identifying a distinct commodity for government and awqāf, as these agents are identified in terms of Armington composite good, which is in parallel with Torma & Rutherford (1992). Another difference is the economic agents, as they consist of five

household income quintile groups, the government and six awqāf components, which are new awqāf, fused & annexed awqāf, minority awqāf, irsādī awqāf, waqf universities, and waqf companies. There are two production factors, which are capital and labor. In addition, there are 12 sectors that stand for 12 composite final goods and 12 composite intermediate goods. Moreover, there are three different types of investment goods, which are public investment, private investment and waqf investment good.

**Figure 6.3:** Production Structure and Nesting Diagram

**Note:**  $\sigma$  denotes the elasticity rate of substitution, whereas  $\eta$  represents the elasticity rate of transformation. The taxes on products and production are not shown in the figure.



As in both models, the final goods ( $Y_i$ ) are produced through intermediate inputs ( $X_i$ ) and value added ( $VA_i$ ). The final goods are a constant elasticity of substitution (CES) function of value-added and intermediate input, whereas the value-added is modelled within CES framework as a function of production factors in a similar way. Each agent is assumed to be the owner of a factor, i.e. households owns capital and labor, while the government and awqāf own capital. However, it should be cautiously noted that the harām interest income of government and households from capital takes place in these accounts, as this

kind of prohibited income is inadmissible, and the capital must be only used through halāl means of income.

The output produced is distributed to domestic and export markets, as we employ constant elasticity of transformation (CET) in line with standard CGE convention. The Armington composite good, that is a Cobb-Douglas function of domestic and imported goods, flows within the domestic markets in the form of final consumption goods and intermediate goods, as the final consumption expenditures and investment demand are done through it. The flows of marketed commodities can be seen in Figure 6.2. As a point of differentiation, our model incorporates the transfers done among different agents, including government, household income quintile groups, waqf components, and rest of world. The most important of these transfers in cash and kind are the intra-household transfers, the transfers from households to awqāf, the transfers from government to awqāf and households, and lastly the transfers from awqāf to households. These income and expenditure flows can be seen within the production structure and nesting diagram in Figure 6.3.

#### 6.4.1. Production

Final goods ( $Y$ ) are assumed to be produced according to nested Leontieff — Cobb-Douglas technology, as intermediate inputs and aggregate value added enter at the top level in the form of Leontieff aggregation<sup>31</sup>:

$$Y_i = \min \left( \frac{va_i}{a_i^{va}}, \frac{X_i}{b_i^X} \right) \quad (1)$$

$a_i^{va}$  and  $b_i^X$  are the respective benchmark value shares of value-added and intermediate input in total output for sector  $i$ ,  $va_i$  is the value added in sector  $i$ , which is a function of capital and labor of that sector and  $X_i$  denotes the intermediate input for sector  $i$ . Value-added denotes a Cobb-Douglas aggregation of capital and labor:

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<sup>31</sup> We benefited from Markusen & Rutherford (2004) for the representation of functions in the model.

$$va_i = \varphi L_i^{\alpha_i^L} K_i^{\alpha_i^K} \quad (2)$$

in a similar way, L stands for labor and K denotes capital, whereas  $\alpha_i^L$  and  $\alpha_i^K$  are the respective benchmark values of labor and capital in total value-added for sector  $i$ . Since it is assumed that there is constant returns to scale,  $\alpha_i^L + \alpha_i^K = 1$  and  $\varphi = \frac{va_i}{L_i^{\alpha_i^L} K_i^{\alpha_i^K}}$ .

Output of each sector is transformed into two main channels that are domestic markets (D) and export markets (E), under an assumption that these goods are imperfect substitutes and they have a constant elasticity of transformation (CET):

$$Y_i = g(D_i, E_i) = \left( \alpha_i^D D_i^{1+\frac{1}{\eta}} + (1 - \alpha_i^D) E_i^{1+\frac{1}{\eta}} \right)^{1/(1+\frac{1}{\eta})} \quad (3)$$

$\alpha_i^D$  is the benchmark value share of domestic sales in total output for sector  $i$  and  $\eta$  denotes the elasticity of transformation, which is assumed as 3.00 for Turkish economy in 2018, as Voyvoda & Yeldan (2015) uses this value for the elasticity of transformation in their model for Turkish economy.

#### 6.4.2. Trade

In the domestic markets, both the imported and domestic commodities flow. In that sense, import demand is expressed in terms of Armington representation. Armington commodities are the composite goods for each sector of the respective sector's domestic and imported commodities. The domestic (D) and imported goods (M) are represented in the constant elasticity of substitution (CES) form:

$$A_i = \left( \alpha_i^M M_i^{1-\frac{1}{\sigma_A}} + (1 - \alpha_i^M) D_i^{1-\frac{1}{\sigma_A}} \right)^{1/(1-\frac{1}{\sigma_A})} \quad (4)$$

The Armington composite good is the main commodity for use in production and final demand.  $\alpha_i^M$  is the benchmark value share of imports in total output for sector  $i$  and  $\sigma_A$  denotes the elasticity of substitution, which is assumed as 3.00 for Turkish economy in 2018, as taken from Voyvoda & Yeldan (2015).

In terms of trade balance, the supply of exports and demand for imports determines the real exchange rate ( $p_{fx}$ ):

$$\sum_i \bar{p}_i^E E_i + B = \sum_i \bar{p}_i^M M_i \quad (5)$$

where B represents the exogenous current account balance. Increasing import dependency would lead current account balance to increase the real exchange rate.

### 6.4.3. Final Demand and Household Welfare

Final demand consists of two main components, which are final consumption and investment demand. These economic activities are done by five household income quintile groups, the government and six waqf sector components, provided that waqf companies do not make any final consumption expenditure.

The household demand is assumed to be determined by household welfare, which is represented within a Cobb-Douglas utility maximizing behavior. The utility function consists of the household final consumption:

$$U(A_{i,h}) = \prod_i A_{i,h}^{\alpha_i} \quad (6)$$

$$\sum_i \alpha_i = 1 \text{ for each } h \text{ and } h = 1, \dots, 5$$

$$\max_{A_{i,h}} U(A_{i,h})$$

$$s. t. \sum_i p_i A_{i,h} \leq p_K K_h + w L_h + htrnsrec_h - htrnsgiv_h - hsav_h - htax_h \quad (8)$$

The budget constraint for each household is assumed to compose of factor incomes<sup>32</sup>, transfer income of households minus the transfers made to other agents ( $htrnsgiv_h$ ), savings ( $hsav_h$ ) and taxes paid to government ( $htax_h$ ). The transfer income of households ( $htrnsrec_h$ ) is coming from government in the form of social transfers, from other households in the form of intra-household transfers—in which zakāh and infāq take place as well—from awqāf in the form of transfers in cash and kind, and from rest of

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<sup>32</sup> It should be carefully noted that the factor incomes of households involve harām interest earnings from capital.

world in the form of remittances. Thus, the households are assumed to maximize their utility subject to budget constraints, as the utility is measured through welfare index in the model. Since there is only one good in the economy, it is assumed that  $i=1$  as contrary to a fundamental assumption of computable general equilibrium models, that requires the existence of at least two goods in the economy.

It should be noted that this model is incapable to incorporate a different behavioral assumption than the utility maximization or incorporate a utility derived from giving to the others, as it should be preferably included to the model as an implication of Islamic economics. Insha'Allah in further studies the possibilities of such an incorporation would be examined.

On the other hand, investment demand consists of public investment, private investment and waqf investment demand. Each kind of investment demand is held constant as a model closure preference, through which increases in aggregate income might result in rise in aggregate demand and the production of consumption goods.

The government, in a similar way, makes final consumption expenditure for public services and investment, whereas it finances these expenditures through tax revenue. As a shortcoming of the model, the capital income of government is not involved in the government expenditure as an entitlement. In addition, government makes social transfers to the households and subsidizes the awqāf through direct transfers.

#### 6.4.4. Tax Structure

There are different kinds of taxes in the model, such as taxes on production, taxes on products, and income tax of the economic agents. Taxes on production levied on total production, as the production tax rate is calculated through the ratio of total production taxes over GDP. The income level can be shown with the introduction of the production taxes as follows:

$$Value_i^Y = (1 + t_i^Y)(p_i^D D_i + \bar{p}_i^X X_i) \quad (9)$$

Taxes on products are assumed to consist of two components, which are taxes on Armington composite products and import taxes. Average import tax rate ( $t_i^M$ ) is assumed to be 2.5%, which is weighted mean applied tariff rate that is published by World

Bank for Türkiye 2018. In addition, the average tax rate levied on the domestic products is calculated through dividing total taxes on Armington composite product by the aggregate supply, then the import tax rate is subtracted from this ratio and average tax rate on domestic products ( $t_i^D$ ) is found out as 2.2%. In total, average tax rate on products is found 4.7%. In that sense, the unit cost function of Armington commodity becomes as follows:

$$p_i = \left[ \alpha_i^M \left( \frac{p_i^M (1+t_i^M)}{p_i^M} \right)^{1-\sigma} + \left( \frac{p_i^D (1+t_i^D)}{p_i^D} \right)^{1-\sigma} \right]^{1/(1-\sigma)} \quad (10)$$

In terms of taxes on income, households, awqāf and firms are subjected to income tax. Income taxes levied on households both affect their welfare and final demand. The income of awqāf is subjected to income tax as well. The income tax rate ( $t_h$ ) for households is calculated through total income tax payments for households over total factor and transfer incomes of households.

#### 6.4.5. Inclusion of Awqāf Sector

As a distinctive feature of the model, awqāf components are one of the economic agents, which make final consumption expenditure, physical investment, income transfer and pay taxes from the sum of their capital income, government subsidies, as well as the transfers received from households and rest of world.

In terms of SNA 2008 classification, awqāf are accepted as Non-Profit Institutions Serving to Households (NPISH) and their accounts are always evaluated within the household accounts. In this study, we try to differentiate these accounts, in a way that role of awqāf in SNA is preserved. In that sense, the final consumption expenditure that the awqāf made is recorded in the budgets of each household in proportion of the respective share that household quintiles receive ( $vawmh_{i,h}$ ).

In addition, the total waqf transfers to households ( $tr\_waqf2hht_h$ ) that the awqāf sector made is assumed to be shared among household income quintile groups and recorded under the transfer income of households ( $htrnsrec_h$ ). In a similar way, the transfers made from households to other economic agents ( $htrnsgiv_h$ ) includes the transfers made from households to awqāf ( $tr\_hh2waqf_h$ ). Thus, we can re-write the household budget constraint as follows:

$$\sum_i p_i A_{i,h} \leq p_K K_h + w L_h + v_{awm} h_{i,h} + h_{trnsrec}_h - h_{trnsgiv}_h - h_{sav}_h - h_{tax}_h; \quad (8)$$

$$h_{trnsrec}_h = tr_{gov2hh}(h) + tr_{hh2hht}(h) + tr_{fr2hht}(h) + tr_{waqf2hht}(h) \quad (13)$$

$$h_{trnsgiv}_h = tr_{hh2hh}_h + tr_{hh2waqf}_h + tr_{hh2fr}_h \quad (14)$$

The other important reflection of the inclusion of awqāf sector is related to factor incomes of awqāf components. *It plays a key role for understanding the difference between awqāf and government in providing public goods and services.* The essence of waqf that is defined in the hadith of Rasūlullah ﷺ might reveal itself mostly through the factor incomes of awqāf, provided that none of harām source of income is included. The factor incomes of awqāf consist of rental income and the income from their commercial enterprises. In addition, the investment made by awqāf components constitute the other important source of waqf expenditures, through which the aggregate demand and income rises.

$$K_i = K_{public,i} + K_{private,i} + K_{waqf,i}$$

Moreover, it is important to state that the ribā income of awqāf components that are absolutely prohibited, are not included in the calculations since they are completely contrary to the nature and essence of waqf concept.

#### 6.4.6. Equilibrium Conditions

In order to solve the model, we need to define the equilibrium conditions. There are three main equilibrium conditions for CGE models, which are zero-profits, market clearance and income and expenditure balance.

##### 6.4.6.1. Zero Profits

As an implication of perfect competition assumption, in equilibrium no producer earns an excess profit, so that the value of inputs should be equal to or greater than the value of outputs. It means that in case of output price increase, production activity increases until marginal cost equals to marginal revenue.

$$Cost_i(p) \geq Rev_i(p) \quad (15)$$

### 6.4.6.2. Market Clearance

Market clearance assumption requires that the aggregate supply of each good should be equal to or greater than the aggregate demand of that good at equilibrium prices and activity levels. The same applies to the endowments like capital and labor of economic agents. Within the scope of this condition, prices adjust until supply equals demand for each commodity and factor.

$$D_i + M_i \geq \sum_j A_{ij} + E_i + HH_i + GOV_i + WAQF_i \quad (16)$$

### 6.4.6.3. Income and Expenditure Balance

Consequently, the last equilibrium condition is the income and expenditure balance that requires the income of expenditure of all economic agents should be equal to each other. In addition, since the savings should be equal to investments, the same condition applies to the investment demand.

#### Public Demand:

Public demand should be equal to or greater than the factor income of government plus tax revenues minus subsidies, government savings and transfers done to other economic agents.

$$Demand_{public} : \sum_i p_i A_{i,g} \geq p_K K_g + taxrev - subsidy - gov sav - tr\_gov2hh_h - tr\_gov2waqf_w \quad (17)$$

#### Private Demand:

Private demand should be equal to or greater than the factor incomes of households plus transfer incomes minus household savings, household taxes and transfers done to other economic agents.

$$Demand_{private} = \sum_i p_i A_{i,h} \geq p_K K_h + wL_h + htrnsrec_h - htrnsgiv_h - hsav_h - htax_h \quad (18)$$

### Waqf Demand:

Waqf demand should be equal to or greater than the factor incomes of awqāf plus transfer revenue of awqāf minus awqāf savings, awqāf taxes and transfers done to other economic agents.

$$Demand_{waqf} = \sum_i p_i A_{i,w} \geq p_K K_w + wtrnsrec_w - wtrnsgiv_w - wsav_w - wtax_w \quad (19)$$

### Investment Demand:

Total investment demand should be equal to or greater than household savings, government savings, awqāf savings, firm savings and foreign savings.

$$Inv \geq hsav_h + govsav + wsav_w + frsav_{fr} + rowsav \quad (20)$$

## **6.5.Hypotheses**

Calculating the economic impact of awqāf requires developing hypotheses that would adequately explain the role of awqāf on Turkish economy. As the economic impact awqāf and arguments on their role are discussed in the Chapter 3, in this section we tried to develop some hypotheses on the basis of these discussions. In parallel with the purpose of this dissertation, which is calculating the impact of awqāf in Turkish economy, mostly through benefiting from Çizakça (2000) and Zaim (1992), we developed the following hypotheses:

- H1: The awqāf in Türkiye reduce poverty.
- H2: The awqāf in Türkiye increase social welfare.
- H3: The awqāf in Türkiye lead to a more equitable distribution of income.
- H4: The awqāf in Türkiye increase the output level and GDP.
- H5: The awqāf in Türkiye provide a better fiscal position by reducing tax burden and budget deficit.
- H6: The awqāf in Türkiye have differences compared to government that give better economic results in the provision of public services.

For testing these hypotheses, we used the following variables:

- Poverty gap,
- Welfare of household income groups,
- P80/P20 ratio (based on income),
- Gini index,
- Output (production) index,
- GDP and the percentage share of GDP components by expenditure method,
- Budget deficit and tax burden.

The formulas of the variables are given in Appendix 1.

### **6.6. Assumptions and Limitations of the Model**

- In the study, we used a static model that represents the Turkish economy at the end of 2018. The model does not have a dynamic nature.
- This model does not measure the degree of efficiency of the government and awqāf, nor it makes a comparison for efficiency analysis in provision of public services between them. In addition, this model does not make a comparison between the government and awqāf on the basis of profitability. It only explores the economic impact of awqāf within the macroeconomic structure of Turkish economy that are based on microeconomic foundations.
- This study assumes that Turkish economy has a perfectly competitive structure in which perfect competition assumptions are valid. Naturally, this assumption can reflect the reality in a limited sense.
- Although computable general equilibrium models require households to allocate their budget among different final goods to maximize their utility, since all the sectors in Turkish economy are aggregated into one sector, it is assumed that households consume only one final good in a way that they do not allocate their budget among different goods, as a limitation of the study.
- In this model, waqf companies are represented by only four companies due to the lack of data that are ASELSAN, TUSAŞ, ROKETSAN and HAVELSAN, all of which the subsidiaries of TSKGV.
- In this study, row and columns of the dataset (SAM) are balanced through using cross-entropy method. In order to do that all the savings of different economic

agents are assumed to be transformed into investments. Thus, awqāf savings are also assumed to be transformed into investments. Even though the assumed ratio between savings and investments of awqāf is %100 in the model, this ratio was 54.82% in 2018 Turkish economy. Thus, this assumption shows the magnitude of investment effect of awqāf much higher than the real case. However, since we cannot include many of the waqf companies —including Bilkent Holding, Vakıf Katılım, partial revenues of Koç Holding and Sabancı Holding— due to lack of data, we have already underestimated the awqāf impact in the Turkish economy. Thus, notwithstanding there is not an available information for the investment levels of excluded companies, it might close the gap between savings and investments of awqāf to some extent. On the other hand, this assumption decreases the public investments. We employed this change because the public sector made 1.77 times more investments than it saved in 2018. Hence, the public investments are shown 63.90% lower than its actual level in 2018. Therefore, because of these changes, the awqāf investments are shown higher, whereas public investments are shown lower than their actual levels in 2018, which is one of the limitations of the study.

- Foreign exchange rate is kept as 1 as a numeraire through which the other prices adjust as a result of the free interaction of supply and demand variables for each commodity as well as endowments of and factor demands for economic agents.
- There is only one intermediate good and one consumption good, which are produced by a one sector.
- This study is not capable to model a public good, whose financing is done through the final consumption of the government and awqāf. Instead, government is assumed to make government expenditures, whereas final consumption of awqāf is directly included to the budgets of the households under an assumption that awqāf make final consumption expenditures on behalf of households, which is in parallel with the classification made by System of National Accounts 2008 of UN and TurkStat.
- However, the study tries to incorporate a public good, whose financing is done through the physical investments that are made by public, private and waqf sectors, as each household group is assumed to derive the same share of utility from these investments.

- The accounts of waqf companies are added to the new awqāf accounts, as the companies belong to new awqāf.
- The awqāf are not modeled as a substitute or complement of the government for providing public services, rather it is defined as an economic agent which make final consumption expenditures on behalf of households through increasing their budget and make transfers to them in cash and in kind, as they also contribute to the welfare of households through physical investments.
- The result parameters are normalized through the calibrated output price.
- Since the sole income source of irsādī awqāf is government allocations, this source of income is written as factor income of irsādī awqāf instead of transfer payments from government to the irsādī awqāf.
- The contingency reserves of the awqāf are not subtracted from the awqāf accounts.
- In the scenario in which the focus of awqāf becomes prominently the poor and needy, the physical investments of awqāf are excluded from this assumption, so that it is assumed that the awqāf investments reflect to all segments of the society equally.
- Since there is a lack of data, the transfers that awqāf made to the households are shared among each household income quintile in proportion of the “Distribution of annual equivalized household disposable income quintiles by Other Social Transfers” and “Distribution of annual equivalized household disposable income quintiles by Other Incomes” in TurkStat Survey of Income and Life Conditions (SILC) 2019 separately. The difference is that the latter gives better results for income inequality and poverty measures. However, in most of the calculations, the “Distribution of annual equivalized household disposable income quintiles by Other Social Transfers” is used. These distributions are given in Table 6.1. For poverty measurements, the bottom 20% household income quintile is disaggregated into four different 5% quintiles through weighted coefficients, which are determined to in accordance with the TurkStat SILC 2019 micro dataset. In order to reflect the poverty headcount and poverty gap indicators for Türkiye in 2018, the daily income for poverty line is assumed as 43 TL, whereas in terms of TurkStat data it is 35.485 TL. The difference is stemming from the aggregate income difference between the model and the 2018 Turkish economy.

These coefficients are kept constant for changing scenarios, so that the poverty measures become a function of endogenous income of bottom and second 20% household income quintile.

**Table 6.1:** Percentages of the transfers that awqāf made to the households (Source: TurkStat, SILC 2019)

<b>Household Income Quintile</b>	<b>Distribution of Annual Equivalized Household Disposable Income Quintiles by <i>Other Social Transfers</i> (%)</b>	<b>Distribution of Annual Equivalized Household Disposable Income Quintiles by <i>Other Incomes</i> (%)</b>
<b>Bottom 20%</b>	21,3	26,2
<b>Second 20%</b>	17,8	22,3
<b>Third 20%</b>	17,0	21,4
<b>Fourth 20%</b>	19,3	17,7
<b>Top 20%</b>	24,6	12,4

- *The model explains the impact of awqāf in terms of the relationship between variables and directions (positive or negative) of these relationships. However, the results of the model in levels do not reflect the 2018 Turkish economy levels in a good sense. The reason of this problem is that the benchmark scenario could not be solved optimally. The results of benchmark scenario are intermediate infeasible due to interrupted iteration error that is stemming from a problem in the model that cannot be solved. However, when the iteration limit increases to 1000, then the model finds an optimal solution, in which the model comes to an equilibrium which is a different equilibrium that does not reflect the dynamics of 2018 Turkish economy in a good sense. In order to overcome this problem, insha'Allah, we take the values of benchmark scenario as the basis and interpret the results of each consecutive scenario in accordance with the percentage changes compared to the scale of the benchmark scenario. The differences between the calibrated results of the model and the actual values of corresponding variables of Turkish economy in 2018 can be seen in Table 6.2.*

**Table 6.2:** Comparative Values of the Selected Parameters in Calibrated Model Results and Their Actual State in 2018 Turkish Economy  
(Source: TurkStat and authors' own)

	<b>Variables</b>	<b>Turkish Economy with Awqāf in 2018 (Model Calculations)</b>	<b>Turkish Economy in 2018 (TurkStat)</b>
National Accounts	Output Index	68,40%	100,00%
	Gross Domestic Product (GDP)	2,8832	3,7244
	Household Final Consumption/GDP	69,20%	56,70%
	Government Expenditures/GDP	15,80%	14,80%
	Public Investments/GDP	0,90%	4,62%
	Private Investments/GDP	13,50%	25,28%
	Total Investments/GDP	14,80%	29,90%
	Net Exports/GDP	-1,20%	-1,10%
Welfare*	Welfare Index of the Bottom 20%	79,10%	-
	Welfare Index of the Second 20%	82,20%	-
	Welfare Index of the Third 20%	86,60%	-
	Welfare Index of the Fourth 20%	82,70%	-
	Welfare of the Top 20%	100,30%	-
Income Inequality	P80P20 Ratio	7,594	7,400
	Gini Index	36,20%	39,50%
Poverty	Poverty Gap	26,32%	26,30%
Public Finance	Tax Burden	22,60%	24,40%
	Budget Deficit/GDP	-3,30%	-2,80%

\*: Welfare indices are calculated by the author based on utility of each household group that is a function of household consumption. There are not available data for welfare indices that have been published by TurkStat or any other data provider.

## CHAPTER 7

### 7. FINDINGS AND DISCUSSION

In this chapter, the model results are explained and discussed. Firstly, it should be noted that the static nature of the model requires our results to focus only on the short-run impacts rather than long-run outcomes. In addition, before proceeding to the results, it would be beneficial to mention some important mechanisms that would help the readers to frame the effect of different scenarios on general equilibrium outcomes.

Since the general equilibrium framework allows the free interaction of each variable with another unlike the *ceteris-paribus* assumption, sometimes it might not be easy to distinguish the real impact of a change in parameters or exogenous variables. Firstly, for household welfare, because the households are assumed to derive utility from their consumption, they try to maximize their consumption level until the point at which their marginal utility equals to zero. Since the *awqāf* contributions increases the budget of the households, they can consume more and their welfare increases, as these channels influence the respective shares in consumption and investment in the GDP as well as income inequality indicators, poverty measurements, and the public finance indicators — such as tax burden and budget deficit.

In terms of the impact of *awqāf* on GDP and output, the most prominent channel is the capital inputs and factor incomes of *awqāf*, which channelized into investments and transfers. This channel increases the output and GDP most. It leads to change in the relative shares of the total investment and household consumption in GDP, as it increases the former and reduces the latter. The impact of *awqāf* final consumption and transfers comes after their factor impact, whereas they increase GDP in a much more modest sense through increasing the household consumption.

In that regard, a crucial mechanism that should be cautiously noted is the distinction between the transfer effect and investment effect of the *awqāf*. Transfer effect —that stems from the income transfers and final consumption expenditures of *awqāf*— mostly increases the household consumption level and thereby welfare, while ameliorating the income distribution and poverty indicators. Investment effect of *awqāf*, on the other hand, increases the production level and GDP. There are two main sources that constitute the basis of these two effects, which are factor incomes of *awqāf* —such as rental income and

the revenues of their companies— and the donations from households together with the subsidies from government. The variables that change according to each income source and effect type of awqāf are presented in Figure 7.1. In general, most of the waqf components outweighs in terms of one of these two aspects, while some others combine these two effects. Through these effects, some waqf components lead to a pro-poor growth, through which the distribution of income comes to a more equitable pattern. This issue has vital implications since it addresses the trade-off between efficiency and equity. Thus, this kind of awqāf would lead to a pro-poor growth through which almost all segments of the society are better off together with a more equitable distribution of income.

**Figure 7.1:** The variables that change according to each income source and effect type of awqāf.

		Effect Type	
		Transfer Effect	Investment Effect
<b>Source of Income</b>	<b>Factor Income</b>	<ul style="list-style-type: none"> <li>• HH Consumption</li> <li>• HH Welfare</li> <li>• Income inequality</li> <li>• Poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Investment</li> <li>• Production index</li> <li>• GDP</li> </ul>
	<b>Transfer Income</b>	<ul style="list-style-type: none"> <li>• HH Consumption</li> <li>• HH Welfare</li> <li>• Income inequality</li> <li>• Poverty</li> </ul>	None

As an important focal point of the model, the poverty indicators are all functions of the calibrated income levels of the bottom 20% and second 20%. Increases in the income levels of these poorest household quintiles raise the income levels of first four 5% income groups and thereby reduce the poverty gap. The most important channels for the rises in the income levels of the poorest income groups are income transfers done by households, government and awqāf as well as the final consumption of awqāf done on behalf of the households.

Income inequality measurements constitute another vital part of the results. The mechanism behind the income inequality indicators mostly relevant to the income of the agents, which is a function of factor incomes, transfers received, transfers given, savings and taxes. Hence, any parameter or variable that has a triggering effect on these variables would change the income inequality indicators. In that regard, the *awqāf* transfers—both in the sense of directly through their factor incomes or indirectly through the transfers made to *awqāf*—have an important role on the changes of these variables. We use both the Gini index and P80P20 ratio, due to the fact that the former is more sensitive to the changes in the income levels of the middle-income groups, whereas the former focuses on the ratio of top 20% income level to the bottom 20%. In that sense, P80P20 ratio would be a more relevant measure for Islamic economic studies, because income might be accepted as an indicator of wealth and the concentration of wealth in the hands of the rich at the expense of the poor is an undesired outcome which should be corrected.

Another important mechanism that should be mentioned is changes in public finance indicators such as tax burden and budget deficit. These changes directly related to the changes in GDP and government spending. Since there is not a separately identified public good on the final consumption expenditures of government and *awqāf* in the model, the changes in public finance indicators are related to impact of *awqāf* on GDP, output and income levels as well as resulting share of government spending in GDP.

Lastly, all the calculations are done by using General Algebraic Modeling System (GAMS) software with the Mathematical Programming System for General Equilibrium (MPSGE) solver. In the light of these considerations, the model presented above is calibrated in compliance with the SAM for 2018 Turkish economy.

### **7.1. Simulations**

The calibrations are done under different scenarios, which aim to reflect different aspects of the impact of *awqāf* on Turkish economy. In that sense, we have three main scenarios that are the state of Turkish economy if the *awqāf* are abolished, Turkish economy with *awqāf*, and abolishment of *awqāf* while their services done by the government through taxation. Turkish economy with *awqāf* scenario has sub-scenarios that might provide some insights for the comparison of overall impact and “return on asset impact” of *awqāf* that was discussed in Chapter 4, whereas we also try to explore the possible impacts of channeling *awqāf* services prominently to the poor and needy, which are mostly the

bottom 40% of households. In addition, for the third scenario, the possible effects of government financing through taxes on production, taxes on products and income taxes are explored. Insha'Allah, all the results will be given in percentage changes in comparison with the abolishment of awqāf scenario.

### **7.1.1. Benchmark Scenario: Abolition of Awqāf From Turkish Economy**

The benchmark scenario represents the abolition of awqāf from Turkish economy, which reflects the dynamics of Turkish economy in 2018 without the presence of awqāf. In that regard, this scenario will be compared to Turkish economy with awqāf scenario, which has three sub-scenarios that are the current state, the “return on asset impact”, and channeling awqāf services prominently to the poor and needy.

This scenario focuses on the counterfactual in which the awqāf are abolished from the Turkish economy. In this scenario, the awqāf with all their assets and services are assumed non-operational. In order to distinguish the Turkish economy with and without awqāf, assumption of abolishment would provide good insights, since it does not require to make further assumptions, as in the counterfactual that assumes what if awqāf were not founded.

Abolishment of awqāf requires the removal of factor incomes and capital inputs of awqāf, final consumption expenditures of awqāf, transfers of awqāf, savings-investment of awqāf, and taxes paid by awqāf.

It should be noted that, for the benchmark model, we could not achieve an optimal solution because of an interrupted iteration error. However, by increasing the iteration limit, we achieved optimal solutions in successive scenarios. This disadvantage deviated the level results from reflecting some dynamics of Turkish economy, including GDP, output level, investment level, consumption level, welfare indices and average tax rates, whereas the poverty and income inequality measures as well as the share of government spending in GDP are not affected from this problem<sup>33</sup>. Although there are problems in levels, it seems that there is no problem in working mechanism, direction of relationships

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<sup>33</sup> Please see Table 6.2 for a comparison between the calibrated results of the model and the actual state of Turkish economy in 2018.

(positive or negative) and logic of the model. Thus, the interpretations of results are generally done through positive and negative impacts of different scenarios, instead of exact levels of these changes.

**Table 7.1:** Percentage changes in variables for Scenario 2.1 – “Overall Impact of Awqāf” compared to Scenario 1 – Abolishment of Awqāf

	<b>Variables</b> (Base Scenario: Abolishment of Awqāf)	<b>Scenario 2.1:</b> <b>Turkish Economy</b> <b>with Awqāf (<i>Other</i></b> <b><i>Social Transfer</i></b> <b><i>Distribution</i>)</b>	<b>Scenario 2.1:</b> <b>Turkish Economy</b> <b>with Awqāf (<i>Other</i></b> <b><i>Incomes</i></b> <b><i>Distribution</i>)</b>
National Accounts	Output Index	2,86%	2,86%
	Gross Domestic Product (GDP)	2,94%	2,94%
	Household Final Consumption/GDP	0,19%	0,19%
	Government Expenditures/GDP	1,66%	1,66%
	Public Investments/GDP	2,94%	2,94%
	Private Investments/GDP	4,49%	4,49%
	Total Investments/GDP	8,05%	8,05%
	Net Exports/GDP	-4,98%	-4,98%
Welfare	Welfare Index of the Bottom 20%	2,46%	2,85%
	Welfare Index of the Second 20%	0,98%	1,11%
	Welfare Index of the Third 20%	0,46%	0,58%
	Welfare Index of the Fourth 20%	0,12%	0,12%
	Welfare of the Top 20%	-0,50%	-0,69%
Income Inequality	P80P20 Ratio	-2,87%	-3,30%
	Gini Index	-0,82%	-1,10%
Poverty	Poverty Gap	-4,35%	-4,98%
Public Finance	Tax Burden	-2,59%	-2,59%
	Budget Deficit/GDP	0,00%	0,00%

## **7.1.2. Scenario 2: Turkish Economy with Awqāf**

### **7.1.2.1.Scenario 2.1: Overall Impact of Awqāf in Turkish Economy (Current State)**

The current state represents the situation, in which awqāf earn factor income and transfer incomes from other agents and allocate these revenues among final consumption expenditures on behalf of households, income transfers to the households and rest of world, and savings that are assumed to be channelized into investments, after paying the taxes levied on them.

In this section, after the overall impact of all waqf components, the results are given separately for each waqf sector component. The results for the impact of total awqāf components are presented in Table 7.1. The results are presented for both “Distribution of annual equivalized household disposable income quintiles by Other Social Transfers” and “Distribution of annual equivalized household disposable income quintiles by Other Incomes” data of TurkStat SILC 2019. Their slight difference reveals itself in welfare, income inequality and poverty measures, as the latter has a bigger impact on the results of these measures. In addition, it should be noted that the succeeding analysis are made on the basis of the former.

When the overall impact of awqāf and abolishment of awqāf scenarios are compared, we found that the presence of awqāf increases the output index and GDP, whereas the share of household and government final consumption in GDP slightly increases and the share of investment rises. Since the awqāf increases the national production, net exports decrease slightly as well. In addition, the presence of awqāf has a positive impact on the welfare of bottom 80%, mostly on bottom 20%, whereas the welfare of top 20% slightly decreases. As an implication of welfare changes P80P20 ratio decreases by 2.87%, Gini index by 0.82% and poverty gap by 4.35%. In this regard, awqāf decreases income inequality and poverty measures, as the income of the poorest quintiles increases and thereby poverty gap index is decreasing. Moreover, in terms of the public finance measures, tax burden decreases while the budget deficit remains same.

**Table 7.2:** Percentage changes in variables for each waqf component in Scenario 2.1 – “Overall Impact of Awqāf” compared to Scenario 1 – Abolishment of Awqāf

	<b>Variables</b> (Base Scenario: Abolishment of Awqāf)	<b>Scenario 2.1 New Awqāf</b>	<b>Scenario 2.1 Fused &amp; Annexed Awqāf</b>	<b>Scenario 2.1 Irsādī Awqāf</b>	<b>Scenario 2.1 Minority Awqāf</b>	<b>Scenario 2.1 Waqf Universities</b>
National Accounts	Output Index	7,37%	0,30%	2,56%	0,00%	3,91%
	Gross Domestic Product (GDP)	7,50%	0,67%	3,21%	0,54%	4,09%
	Household Final Consumption/GDP	-1,88%	0,25%	1,61%	0,11%	0,87%
	Government Expenditures/GDP	2,79%	0,04%	1,27%	-0,09%	-1,11%
	Public Investments/GDP	31,39%	0,67%	3,21%	0,54%	4,09%
	Private Investments/GDP	29,32%	-0,09%	-0,67%	-0,22%	4,87%
	Total Investments/GDP	33,42%	0,67%	0,28%	0,41%	7,78%
	Net Exports/GDP	-0,77%	0,67%	-4,73%	0,54%	-3,92%
	Welfare	Welfare Index of the Bottom 20%	2,47%	0,65%	5,31%	0,13%
Welfare Index of the Second 20%		1,73%	0,25%	2,46%	0,00%	1,72%
Welfare Index of the Third 20%		1,52%	0,23%	1,62%	0,00%	1,16%
Welfare Index of the Fourth 20%		1,71%	0,12%	1,45%	0,00%	1,09%
Welfare of the Top 20%		1,90%	0,00%	0,69%	-0,10%	0,60%
Income Inequality	P80P20 Ratio	-0,60%	-0,58%	-4,22%	-0,10%	-2,66%
	Gini Index	0,00%	-0,27%	-1,10%	0,00%	-0,82%
Poverty	Poverty Gap	-4,57%	-1,09%	-9,35%	-0,15%	-5,53%
Public Finance	Total Tax Burden	-8,62%	-0,43%	-3,02%	-0,43%	-2,59%
	Budget Deficit/GDP	-6,06%	0,00%	-3,03%	0,00%	0,00%

The individual impact of each waqf component is given in Table 7.2. In order to understand their impact in a more accurate sense, making distinction between the transfer effect and investment effect would have important implications. Another dimension in that sense is the magnitude of services, as the awqāf that make more humble contributions

might have a lower impact on economic variables<sup>34</sup>. For instance, the irsādī awqāf are one of the important examples for the transfer effect. Due to the higher level of transfers and final consumption expenditures, they increase the welfare of all segments of the society with a special emphasis on the poor, as they have the highest impact on the welfare of the poor. This transfer effect reflect on the household consumption levels, as they increase the share of household consumption in GDP, while relatively decreasing the share of investments. In addition, compared to the other waqf components, irsādī awqāf decreases poverty gap at most, as they reduce it by 9.35%.

For the investment effect, waqf universities constitute a good example. They assumed to make roughly 15.40% of the total waqf investments. Through these investments, the output index and GDP rise while increasing the welfare of all the household income quintiles. They reduce the poverty gap, however in a limited sense compared to irsādī awqāf. Some part of growth goes to household consumption through a general rise in welfare levels, another part of it is channelized into private investments.

Concerning another example for the investment effect, new awqāf come to the front through their impact on the output index and GDP, as they lead to a pro-poor growth through which all segments of the society are better off. However, they could not ameliorate the income inequality, as they have only a very small impact on income inequality measures. However, as a shortcoming of the model, it should be admitted that the considerable amount of increases in investment levels for new awqāf does not reflect their real impact. Although they are the ones that made 84,60% of total awqāf investments, as a shortcome of the study the model results explicitly exaggerated their investment effect. Notwithstanding their calibrated investment effect seems to be higher than the actual one, we can say that the new awqāf are still the most prominent waqf

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<sup>34</sup> Although they would have a lower impact on economic variables, this situation does not reduce the importance of their services, since each of these services are done for the sake of Allah Ta'ālā. In that regard, very humble contributions in economic sense would be extremely more valuable in the sight of Allah the Almighty because of the sincerity and intention of the wāqif. Thus, as one of the arguments of this dissertation, de-emphasizing the value of services that awqāf made on economic grounds would be a dangerous shortcoming of an economic analysis of awqāf. Hence, this dissertation humbly tries to show the economic impact of awqāf while not degrade the importance of any contribution that they made.

component in terms of investment effect. In addition, this investment effect is accompanied by their transfer effect, through which the welfare of the poor increases. However, this increment only shows itself in poverty, as household consumption and income inequality levels do not represent the signs of transfer effect, most probably the dominance of their investment effect, only Allah the Exalted knows best. Moreover, increases in GDP decreases the total tax burden and budget deficit as well. However, since the investment effect of new awqāf in the model is exaggerated, the GDP growth and output index growth levels might be shown higher than the actual levels. In that sense, new awqāf represent the features of investment effect dominantly which leads to a pro-poor growth.

For the fused and annexed awqāf, although they represent the Ottoman waqf heritage, their economic impact is much humbler than the other waqf types. Transfer effect represents their dominant characteristic, as they have a slightly increasing impact on welfare levels of the income groups compared to overall impact of awqāf. Although the transfers effect outweighs for fused and annexed awqāf, they decrease income inequality and poverty measures to a lower extent compared to other waqf components as well as the overall impact of awqāf. This would be stemming from the low levels of their contribution, as the total final expenditure of fused and annexed awqāf is about 0.02% of GDP and the total amount of transfers that they made constitute 0.10% of GDP. The same applies for the minority awqāf, with a difference that the fused and annexed awqāf have a larger impact on most of the indicators. The types of awqāf in accordance with their income sources and effect types are given in Figure 7.2.

**Figure 7.2:** Types of awqāf according to income sources and effect types

		Effect Type	
		Transfer Effect	Investment Effect
Source of Income	Factor Income	<ul style="list-style-type: none"> <li>• Fused &amp; Annexed Awqāf</li> <li>• New Awqāf</li> <li>• Minority Awqāf</li> <li>• Waqf Universities</li> </ul>	<ul style="list-style-type: none"> <li>• New Awqāf</li> <li>• Waqf Universities</li> </ul>
	Transfer Income	<ul style="list-style-type: none"> <li>• New Awqāf</li> <li>• Irsādī Awqāf</li> <li>• Minority Awqāf</li> </ul>	None

From Table 7.2, we can see the pro-poor growth that awqāf triggered that ameliorates the income distribution is clear. As a result, the income inequality and poverty measures decrease substantially. The same applies for the transfer effect of fused-annexed, minority and irsādī awqāf. The differences in the magnitude of services of these kinds of awqāf shows the remarkable impact of irsādī awqāf on income distribution as they are the highest contributors to the welfare of bottom 40% whereas the contributions of fused-annexed and minority awqāf remain modest. Both these awqāf increases general welfare of the society, with a special emphasis on the welfare of the poorest.

As per waqf universities, we observe a relative rise in household consumption, fall in government expenditure and increasing investment levels together with a general increase in welfare, as a combination of investment and transfer effects. However, the magnitude of transfers, final consumption and investment are lower than of the new awqāf, as the pro-poor growth pattern is observed for waqf universities as well, together with a difference that waqf universities increases the welfare of all income groups, while new awqāf increase the welfare of bottom 40% and decrease the welfare of middle- and top-income groups.

As a noticeable difference, one of the important indicators of transfer effect is a rise in consumption and fall in investment that takes place in the comparison of abolishment of awqāf and Scenario 1.1, for all the waqf components except new awqāf. Waqf universities constitute another exception for rising consumption and investment levels at the same time. For all waqf components, the share of household and government final consumption increases, as the GDP level and output index increases as a result of the factor income and investments. It is clearly evident from Table 7.2 that both the investment and transfer effect of awqāf in Türkiye are evident for national account indicators, whereas the hints of transfer effect manifest itself through increase in household consumption, welfare, income inequality and poverty measures, and decrease in private investment, while the investment effect reflects on increasing investment levels, GDP, and output index, as only Allah the Almighty knows best.

It should be noted that for the impact of each waqf component, the capital input level is kept same, so that not only the respective waqf component's capital input but all the capital input of all waqf components is included for the convenience in calculation.

### 7.1.2.2.Scenario 2.2: Focus of Awqāf Becomes Prominently the Poor and Needy

As stated above, for the distribution of transfers and final consumption expenditure of awqāf to households, we employed two distribution schemes that are based on TurkStat SILC 2019. Both of these distributions assign closer weights to each income quintile groups; however, the “other incomes” distribution represents a more equitable view. However, if we think that the waqf is for poor and needy by default, what would be the possible implications of channeling the awqāf resources —mostly the final consumption expenditure and transfer payments excluding the investments— to the poor and needy?

**Table 7.3:** Distribution of awqāf resources for Scenario 2.2 compared to base distribution scheme

Household Income Quintile Group	Distribution of Annual Equivalized Disposable Income Quintiles by <i>Other Social Transfers (%)</i>	Distribution of Awqāf Resources for Scenario 2.2
Bottom 20%	21,30%	50,00%
Second 20%	17,80%	30,00%
Third 20%	17,00%	20,00%
Fourth 20%	19,30%	0,00%
Top 20%	24,60%	0,00%

In order to answer this question, one should decide a possible distribution scheme among household income quintile groups, as distribution that is employed for this purpose is given in Table 7.3. In this distribution, the share of bottom 20% almost doubled, whereas the share of second 20% increased by half and the share of top 40% is assumed to be zero.

**Table 7.4:** Percentage changes in variables for each waqf component in Scenario 2.1 – “Overall Impact of Awqāf” and Scenario 2.2 - “Focus of Awqāf Becomes Prominently the Poor and Needy” compared to Scenario 1 – Abolishment of Awqāf.

	<b>Variables</b> (Base Scenario: Abolition of Awqāf)	<b>Scenario 2.1: Turkish Economy with Awqāf</b>	<b>Scenario 2.2: Focus of Awqāf Becomes Prominently the Poor and Needy</b>
National Accounts	Output Index	2.86%	2.86%
	Gross Domestic Product (GDP)	2.94%	2.77%
	Household Final Consumption/GDP	0.19%	0.46%
	Government Expenditures/GDP	1.66%	-0.44%
	Public Investments/GDP	2.94%	2.77%
	Private Investments/GDP	4.49%	4.32%
	Total Investments/GDP	8.05%	7.87%
	Net Exports/GDP	-4.98%	-5.13%
Welfare	Welfare Index of the Bottom 20%	2.46%	5.57%
	Welfare Index of the Second 20%	0.98%	1.97%
	Welfare Index of the Third 20%	0.46%	0.93%
	Welfare Index of the Fourth 20%	0.12%	0.12%
	Welfare of the Top 20%	-0.50%	-0.40%
Income Inequality	P80P20 Ratio	-2.87%	-5.54%
	Gini Index	-0.82%	-1.64%
Poverty	Poverty Gap	-4.35%	-9.03%
Public Finance	Tax Burden	-2.59%	-2.16%
	Budget Deficit/GDP	0.00%	0.00%

The results of Scenario 2.2—that is given in Table 7.4—shows that output index remains same whereas the GDP growth is slightly lower than the overall impact of awqāf. As a direct implication of channelizing the transfers mostly to the poor and needy, household consumption increases more than of the Scenario 2.1. In addition, the pattern for GDP growth in this scenario is valid for other GDP components, as they increase slightly lower compared to Scenario 2.1. The most outstanding effect of channelizing the awqāf

resources to the poor and needy reveals in welfare of the bottom 60% as well as the poverty and income inequality measures. The income distribution becomes more equitable in favor of the poor and the decreases in poverty gap, P80P20 ratio and Gini index are almost doubled. Hence, the transfer payments of awqāf and their distribution scheme have an important effect on the welfare, income inequality and poverty indicators as a result of transfer effect. In addition, it should be noted that this scenario would be meaningful only if such a distribution will not contradict with the condition of wāqif, as an implication of the legal maxim “the conditions stipulated by the wāqif are as the text of the Lawgiver (*Shāri*)”.

### **7.1.2.3.Scenario 2.3: The “Return on Asset Impact”**

In Scenario 2.3, we will try to explore the “return on asset impact” of Turkish awqāf. As mentioned in the Chapter 4, “return on asset impact” denotes the economic impact that is stemming from the real meaning of waqf in Sharī’ah, which is detention of property and devotion of its usufruct to charity, as mentioned in the hadith of the beloved Prophet ﷺ. This implies that all the transfer revenues of awqāf including the transfers that come from households, government and rest of world should be taken out of the model. In that sense, the awqāf are not considered charities that collect and distribute donations, instead they are operating based on their factor incomes to be spent in accordance with the conditions stipulated by their founders. In that sense, the “return on asset impact” would reflect either through transfer effect or investment effect, the only source of which is the factor incomes of awqāf.

For the calculation of “return on asset impact”, the transfer income of awqāf is taken out of the model by subtracting both from the revenue and expenditure sides. In terms of revenue side all the transfer recipients removed from the demand function of awqāf. For the expenditure side, the transfers are subtracted from the final consumption and transfer payments of awqāf in proportion of their respective shares in the total of these two awqāf expenditures. In that sense, the share of final consumption expenditures in the total of these two expenditures is 91.70% for new awqāf and 3.30% for fused and annexed awqāf, whereas the share of transfer payments is 8.30% for new awqāf and 96.70% for fused and annexed awqāf. The investments are assumed unchanged, since it is assumed that the awqāf investments are completely done through the factor incomes. The results for Scenario 2.3 can be seen in Table 7.5.

**Table 7.5:** Percentage changes in variables for each waqf component in Scenario 2.3- “return on asset impact” compared to Scenario 1 – Abolishment of Awqāf.

	<b>Variables (Base Scenario: Abolition of Awqāf)</b>	<b>Scenario 2 - Scenario 1.1 Overall Impact of Awqāf</b>	<b>Scenario 1.2: Overall “Return on Asset Impact”</b>	<b>Scenario 1.2: Overall “Return on Asset Impact”: New Awqāf</b>	<b>Scenario 1.2: Overall “Return on Asset Impact”: Fused &amp; Annexed Awqāf</b>
National Accounts	Output Index	2.86%	7.67%	7.37%	0.30%
	Gross Domestic Product (GDP)	2.94%	6.34%	7.62%	0.59%
	Household Final Consumption/GDP	0.19%	-0.39%	-2.07%	0.03%
	Government Expenditures/GDP	1.66%	4.35%	4.25%	-0.04%
	Public Investments/GDP	2.94%	29.97%	31.53%	0.59%
	Private Investments/GDP	4.49%	28.73%	29.46%	-0.16%
	Total Investments/GDP	8.05%	33.49%	33.57%	0.59%
	Net Exports/GDP	-4.98%	-1.84%	-0.66%	0.59%
	Welfare	Welfare Index of the Bottom 20%	2.46%	-1.55%	-9.07%
Welfare Index of the Second 20%		0.98%	-0.74%	-4.30%	0.12%
Welfare Index of the Third 20%		0.46%	-0.46%	-2.90%	0.00%
Welfare Index of the Fourth 20%		0.12%	-0.36%	-1.82%	0.00%
Welfare of the Top 20%		-0.50%	-0.20%	-0.60%	0.00%
Income Inequality	P80P20 Ratio	-2.87%	1.43%	9.41%	-0.13%
	Gini Index	-0.82%	0.27%	2.74%	0.00%
Poverty	Poverty Gap	-4.35%	2.80%	16.25%	-0.23%
Public Finance	Total Tax Burden	-2.59%	-5.60%	-6.47%	-0.43%
	Budget Deficit/GDP	0.00%	-3.03%	-3.03%	0.00%

**Note:** National accounts indicators are normalized with the respective GDP values of each scenario.

We calculated the overall “return on asset impact” and “return on asset impact” for each waqf sector component that is in the status of legitimate waqf (*al waqf al sahīh*) in Sharī’ah, which are fused & annexed awqāf and new awqāf. Since the irsādī awqāf are composed of the funds allocated by the government, they are deemed as illegitimate waqf, whereas the minority awqāf do not satisfy the condition of *qurbah*, because most of them are founded for the churches or synagogues that do not have any qualification of *qurbah* for Muslims. Waqf universities are not included in this category as well, since they are not awqāf, rather they are the public but non-governmental educational institutions that are founded by the awqāf.

In terms of new awqāf, compared to abolition of awqāf and overall impact of awqāf scenarios, the GDP level and output index increased significantly. The fall in the share of total household consumption is a sign for the welfare loss, as the welfare levels decrease critically. For instance, P80P20 ratio rises by 9.41% in return for 2.74% increase in Gini index. The welfare of all segments of society decreases, as the ones who are affected most are the bottom 20% by 9.70%, second 20% by 4.30%, and third 20% by 2.90%. In addition, the poverty gap increases by 16.25%. Hence, the investment effect of new awqāf still remains in a much more dominant way, however their transfer effect almost disappeared. This shows the serious threat for the new awqāf in particular and all the awqāf components in general that reflects the dependency to donations for their source of income, as a result of NGOization of awqāf. Although the dependency of donations would serve to the poor in the short-run, it endangers the fundamental duty of awqāf that is to serve the poor and needy in the long-run.

The essence of waqf, as explained in previous chapters, requires the sustainability on the grounds of return on waqf assets. In the current state, the return on new awqāf assets mostly channelized to the investment, mostly through waqf companies, as an implication of the assumption that the transfer incomes are not channelized into investments. This assumption would seem logical since the new awqāf investments are at very low levels when the waqf companies are excluded. Thus, the “return on asset impact” of new awqāf is almost limited to their investment effect, whereas this problem stems from the dependency of donations and low factor incomes levels of new awqāf excluding waqf companies.

When it comes to fused and annexed awqāf, as mentioned in the Chapter 4, they would be one of the best representatives of “return on asset impact”, although the magnitude of their services is quite lower compared to the other kinds of awqāf. This vital feature of these awqāf manifests itself in return on asset impact results, as many of the GDP component parameters remain same for fused & annexed awqāf in both scenarios, except household consumption and welfare. There is a general fall in welfare indices, income inequality measures and poverty gap within the range of 0.00%-0.86%, however since their effects on these indices have already been lower, their “return on asset impact” decreases these measures considerably. This scene would indicate that they have mostly been operating on the basis of their factor incomes, as their impact represents the features of transfer effect. However, since their current impact is lower, the exclusion of their transfer revenues decreased the magnitude of their impact. Hence, unlike new awqāf, the return on asset impact of fused and annexed awqāf represent their current impact to a certain extent.

Overall “return on asset impact” has shown a different pattern compared to overall impact of awqāf, mostly due to the changes in the return on asset impact of new awqāf and that we used only two waqf components for the calculation of “return on asset impact”. In that sense, the overall return on asset impact reflect a stabilized impact in which the “return on asset impact” of new awqāf and fused awqāf are balanced. Because of that reason, compared to return on asset impact of new awqāf, output index and GDP levels seem higher than the overall return on asset impact of awqāf, whereas the household consumption levels as well as government expenditures are slightly lower in contrast to higher level of investments, which represents the distinct feature of investment effect that is mostly stemming from the new awqāf. Moreover, there is a general fall in welfare levels for “return on asset impact”. A possible reason might be that, due to the lack of transfer effect, the GDP growth that is triggered through the increasing investment deepens the existing inequalities and poverty measures. However, the new awqāf do not make the rich richer at the expense of the poor, rather there is a general loss in the welfare, most of which is counted against the bottom 20%. This is an alarming signal for the awqāf whose main objective is serving to the poor and needy by default, so that they should find ways to increase their factor incomes through halal ways and divert these resources to final consumption expenditure and transfer payments. For income inequality, P80P20 ratio increases by 1.43% and Gini index by 0.27%, whereas the fall in poverty gap is founded

as 2.80%, which is a sign of the disappearance of pro-poor growth of new awqāf that are mostly stemming from the donations, membership fees and government subsidies to them. Lastly, the rise in GDP has decreasing impact on the tax burden and budget deficit.

Consequently, the return on asset impact compared to the overall impact of awqāf, takes the attention dominantly through its investment effect, together with a relative fall in the transfer effect that mostly stems from the dependency to donations as a result of NGOization of awqāf, as only Allah the Exalted knows best.

**Table 7.6:** Percentage changes in variables for Scenario 2.1 and Scenario 2.3, and Scenario 3 compared to Scenario 2 – Abolition of Awqāf.

	Variables (Base Scenario: Abolition of Awqāf)	Scenario 2.1: Overall Impact of Awqāf	Scenario 2,3: “Return on Asset Impact”	Scenario 3,1: Government Financing via Taxes on Production	Scenario 3,2: Government Financing via Taxes on Products	Scenario 3,3: Government Financing via Income Taxes
National Accounts	Output Index	2.86%	7.67%	0.00%	0.00%	0.30%
	Gross Domestic Product (GDP)	2.94%	6.34%	1.14%	1.51%	1.12%
	Household Final Consumption/GDP	0.19%	-0.39%	-0.28%	0.51%	-0.30%
	Government Expenditures/GDP	1.66%	4.35%	6.20%	4.68%	5.55%
	Public Investments/GDP	2.94%	29.97%	46.09%	46.63%	46.06%
	Private Investments/GDP	4.49%	28.73%	-0.38%	-0.02%	0.36%
	Total Investments/GDP	8.05%	33.49%	3.29%	3.67%	3.99%
	Net Exports/GDP	-4.98%	-1.84%	-6.64%	-6.30%	1.12%
Welfare	Welfare Index of the Bottom 20%	2.46%	-1.55%	1.68%	2.07%	-0.52%
	Welfare Index of the Second 20%	0.98%	-0.74%	0.25%	0.61%	-0.49%
	Welfare Index of the Third 20%	0.46%	-0.46%	-0.12%	0.12%	-0.35%
	Welfare Index of the Fourth 20%	0.12%	-0.36%	-0.48%	-0.12%	-0.36%
	Welfare of the Top 20%	-0.50%	-0.20%	-0.79%	-0.50%	-0.20%
Income	P80P20 Ratio	-2.90%	1.40%	-2.40%	-2.40%	0.40%
	Gini Index	-0.82%	0.27%	-0.82%	-0.82%	-0.82%
Poverty	Poverty Gap	-4.35%	2.80%	-5.15%	-5.15%	-5.15%
Public Finance	Tax Burden	-2.59%	-5.60%	6.03%	6.03%	2.59%
	Budget Deficit/GDP	0.00%	-3.03%	48.48%	45.45%	21.21%

### **7.1.3. Scenario 3: Abolishment of Awqāf While Their Services Done by the Government and Financed through Taxation**

The differences between the government and awqāf for the provision of public services were discussed in previous chapters. In order to show the difference on quantitative basis, we employed a scenario in which the awqāf are abolished however, the services that they provided are assumed to continue through government financing, whereas the finance of the services is done through the taxation. This would help us to understand important implications that lie behind the difference between two sources of finance for public goods and services that are factor income and taxation and its reflection on the welfare of the households. In addition, it would provide useful insights regarding the impact of awqāf to public finance indicators insha'Allah. In that regard, there are three sub-scenarios that are financing the public services done by awqāf through the taxes on production, or the taxes on products, or income taxes.

#### **7.1.3.3.7.1.3.1.**

##### **Production**

The taxes on production, which mainly consist of “taxes on the ownership or use of land, buildings or other assets used in production or on the labor employed, or compensation of employees paid” (OECD, 2001). The average tax rate on production in the model is calculated as 0.30%. For this scenario, the final consumption expenditures, transfer payments and physical investments of awqāf are added to the total amount of taxes on production—which was initially 25,3 billion TL. As a result, it increased to 71,2 billion TL, whereas the average tax rate on production became 1.00%. Households still benefits from the awqāf services however with the provision of government and the waqf physical investments are now made within the public investments. As a direct impact of this scenario, the government expenditure and public investments increases significantly.

The results for Scenario 3 are given in Table 7.6. One of the most outstanding aspects of the results is that, compared to overall impact of awqāf, government financed awqāf services through taxes on production decreases the output index by 2.86% and GDP level by 1.80% due to the absence of factor input of awqāf. There is a fall in household consumption and private investment levels. In terms of welfare, the welfare indices of household income quintiles are higher in Scenario 2.1 overall impact of awqāf, as the ones who benefit most in that regard are the bottom 40%. This scene shows that, although

the same public services prevail, the awqāf increases the welfare of all segments in the society with special emphasis on the welfare of the poor compared to government. The fall in P80P20 ratio by 2.90% for overall impact of awqāf compared to that of government by 2.40% is also another evidence of this situation, whereas the Gini index remains same. In addition, it should be noted that poverty gap has a better position for government provision of awqāf services. It might be stemming from the rise in the daily income of second 5% as a result of the slight income growth of the poorest 20%, as only Allah the Almighty knows best.

Lastly, for public finance indicators, following the increment in average production tax rate, the tax burden increased by 8.62%, whereas the budget deficit rose remarkably by 48.48%.

#### 7.1.3.4.7.1.3.2. .... S

### **enario 3.2: Government Finances Awqāf Services Through Taxes on Products**

When the taxes on products option is considered, the average tax rate on production in the model is calculated as 4.40%. For this scenario, the final consumption expenditures, transfer payments and physical investments of awqāf are added to the total amount of taxes on production—which was initially 330,5 billion TL— as it increased to 376.4 billion TL, whereas the average tax rate on production became 4.80%.

As it was valid for the previous scenario, compared to overall impact of awqāf, government financing awqāf services through taxes on production decreases the output index by 2.86% and GDP level by 1.43% due to the absence of factor input of awqāf. Although financing awqāf expenditures through taxes on products rises household consumption, the welfare levels are lower than the awqāf provision. The income inequality, poverty, and public finance indicators are the same with Scenario 3.1.

Thus, financing awqāf services through taxes on products has a very similar impact in comparison with financing through taxes on production, as the only difference is the rising consumption and better welfare levels in the former. However, awqāf provision gives better results in almost all indicators, except household consumption and poverty.

**enario 3.3: Government Finances Awqāf Services Through Income Tax**

Considering the impact of financing awqāf services through income taxes, it decreases output index and GDP level as in last two scenarios, however in a less magnitude, as this situation reflects on the investment levels. In addition, the relative decrease in the disposable income of households negatively influence the consumption level of the poorest 20%. Moreover, there is a general loss in the welfare levels of all segments of society. The ones who lose their welfare most is the poorest 40%, whereas P80P20 ratio increases by 3.30%. Furthermore, the public finance indicators become worse as a result of increasing taxes, as the tax burden increases 5.18% and budget deficit by 21.21%.

Financing awqāf expenditures through income tax have worse implications compared to financing through taxes on production and taxes on production for welfare and income inequality. For poverty gap, all the government financing scenarios give slightly better results compared to awqāf. However, for all these scenarios, the existence of awqāf is proved to provide a better economic position in terms of national accounts, welfare, income inequality, and fiscal position.

Consequently, as per results of Scenario 3, one can observe that there are important differences in the provision of public services between awqāf and government. Under the assumption that the services provided by awqāf prevails whether the provider is awqāf of government, there are important differences between them. These differences can be summarized as follows:

- existence of awqāf increase the output index and GDP level through their factor input,
- the awqāf provide better welfare levels to all segments of households, while ameliorating the income distribution slightly in favor of the poor,
- government provision has a slightly better impact on poverty alleviation,
- through lightening the burden of government, awqāf decrease the tax burden and budget deficit and provide a better fiscal position,

- in terms of “return on asset impact”, awqāf increase the output index and GDP level through their factor input, however they do neither lead to a more welfare to households, nor ameliorate the income inequality and poverty indicators.

## 7.2. Overall Assessment of the Results

Hence, considering the results, we can conclude that all the hypotheses are verified under the scenario of overall impact of awqāf, whereas for “return on asset impact” scenario only the H4 and H5 are verified. Awqāf in Türkiye are observed to achieve the following:

- H1: For the overall impact of awqāf in Türkiye, the awqāf reduce poverty via decreasing poverty gap and increasing the income of the poorest income groups.
- H2: For the overall impact of awqāf in Türkiye, the awqāf increase the social welfare through rising the welfare of all segments in the society with a special emphasis on the welfare of poor.
- H3: For the overall impact of awqāf in Türkiye, the awqāf lead to a more equitable distribution of income, as P80P20 and Gini index fall to certain extent.
- H4: For both the overall impact of awqāf and “return on asset impact”, through rising the capital input and investments, the awqāf in Türkiye increase the output index and GDP.
- H5: For both the overall impact of awqāf and “return on asset impact”, the awqāf in Türkiye provide a better fiscal position by reducing tax burden and budget deficit together with the increment in GDP.
- H6: For the overall impact of awqāf in Türkiye, compared to government, the awqāf in Türkiye provide public services in a way that they increase the value-added and welfare in the economy, within a more equitable pattern of income distribution, as the government provision would be a better option for poverty alleviation.

In addition, considering the connections of results with the theoretical framework that was presented in chapter 3, we can conclude that the performance of the Turkish awqāf sector verifies both the classical and contemporary discussions to some extent.

Considering the economic principles in classical fiqh, the essence of waqf being detention of a property and devotion of its usufruct as *sadaqah* reflects through the “return on asset

impact”. Unlike the overall impact of awqāf, it dominantly represents the investment effect, which lacks from an ameliorating effect on income inequality due to the dependency of donations. Another important principle that is related to the results is that waqf is for the poor and needy by default. In most of the scenarios, we observe that the awqāf increases the welfare of the poor and thereby decrease the poverty gap.

In terms of the contemporary discussions, our results are in parallel with the theoretical discussions of Çizakça (2000), Zaim (1992), Kahf (2000) and Sadeq (2002). The hypotheses for waqf that are in favor of their role in the achievement of an equitable distribution of income, higher standards of welfare, and lightening the financial burden of government were borrowed from the theoretical discussions of Çizakça (2000). This study verifies that all the three hypotheses are valid for Turkish awqāf sector, as decreasing tax burden and budget deficit together with rising welfare levels and a more equitable distribution of income are evident for Turkish case.

Considering the theoretical discussions of Zaim (1992), we can make a reference to the arguments of resource allocation, enhancing the life conditions of the poor and more equitable distribution of income. The pro-poor growth pattern of new awqāf, waqf universities, fused & annexed awqāf, and irsādī awqāf capture the attention, mostly through their transfer effect. Hence, the findings of this study empirically show the validity of theoretical discussions of Zaim (1992) in that sense.

In connection with the results, the economic concept of waqf elaborated by Kahf (2000) is evident, since the awqāf represent the confined productive capital that increases the production and investment in Turkish economy. In addition, Kahf’s (2000) dual classification of awqāf into direct awqāf and investment awqāf that is can be revisited as well. In that sense, these two kinds of awqāf can be timely matched with the transfer effect and investment effect, as the investment awqāf lead to investment effect and the direct awqāf trigger the transfer effect. In that sense, Turkish new awqāf would be a good example for investment awqāf that increase the output and GDP level through two main channels, which are rising capital input —and thereby value-added— and investments. Although they are not assumed within the range of legitimate awqāf, waqf universities would have a similar status.

Furthermore, the investment effect of the awqāf can also be explained within the theoretical discussions of Kahf (2000), since the presence of awqāf divert some of the resources from consumption to the investment, as a unique characteristic of investment effect which is evident especially for Turkish new awqāf in this study, whereas the “return on asset impact” support this argument as well (Kahf, 2000, p. 67). On the other hand, fused & annexed awqāf, irsādī awqāf and minority awqāf are the examples of direct awqāf since they spend their profits directly to their objectives in form of final consumption expenditure or transfer payments. However, in terms of legitimacy, we can make a reference to fused and annexed awqāf only, since irsādī awqāf are illegitimate awqāf and minority awqāf do not satisfy the condition of *qurbah*.

In terms of the investment effect of Turkish awqāf, since awqāf are theoretically assumed to channelize the benefits of their investments into the welfare of society with a special emphasis on the welfare of poor (Kahf, 2000, p. 67), the results of this study support that this argument has an empirical base for the overall impact of awqāf as well. In that sense, we can conclude that the result of this study verifies the theoretical discussions of Kahf (2000) on contemporary Turkish awqāf sector. It verifies that through emphasizing the unique role of awqāf services that would not be taken as a substitute for government services in terms of authority, rather they exemplify the services that are provided in the framework of righteousness (*al birr*), beneficence (*al ihsān*), mercy and cooperation (Kahf, 2000, p. 70).

The findings also concur with the theoretical arguments of Sadeq (2002) in terms of welfare and poverty alleviation, however in a different context since Türkiye is not a resource-poor country.

As another study for poverty reduction strategies, Khan (2007) emphasized the role of awqāf in poverty alleviation as a faith-based Islamic institution. In addition, this study stressed the lack of statistical infrastructure for conducting research to understand the impact of faith-based Islamic institutions such as awqāf on poverty. Although there are limitations for statistical infrastructure, the data released by DGF, Ministry of Family and Social Policy, and Higher Education Council of Turkey provide an adequate basis for conducting impact analysis to certain extent. As a result of such an effort, this dissertation tries to show the impact of awqāf on Turkish economy, as we found out that the awqāf

have poverty alleviating impact in Türkiye within the limitations of current statistical infrastructure.

In terms of the results of Masyita (2007), Shamimi (2013), Saiti et. al. (2019), notwithstanding the scope of this dissertation includes the Turkish awqāf that are mostly based on awqāf of real estates, we found out that the poverty reduction impact of awqāf that is emphasized by these studies is valid for the Turkish case as well.

Mohsin (2013) mentions different models for cash waqf financing, as one of these models is the corporate waqf model. This study humbly elaborates the economic role of corporate waqf models on contemporary Turkish economy since most of the investment effect and capital input of the waqf sector in Turkey comes from waqf companies.

In terms of the five important macroeconomic effects of waqf institution that were asserted by Budiman & Kusima (2011), this dissertation addresses three of them, which are enhancing economic growth, restoring distribution of income and poverty alleviation. Although they used the term poverty eradication, this dissertation has already discussed the different between poverty alleviation and poverty eradication as well as their relevance to waqf institution in Chapter 3.

For the model proposed by Ari & Koç (2021) on waqf-based financial intermediary, notwithstanding this dissertation does not investigate the impact of any waqf-based financial intermediary on Turkish economy, the two studies have showed the restoring impact of awqāf on income and wealth inequalities that in general take place at the expense of the poor.

Mahamoud & Ab Rahman (2015) stressed the importance of Turkish waqf universities, especially their contribution for the benefit of the students in particular and society in general. This dissertation elaborates the scope of benefits that Turkish waqf universities provide to the society, as we found out that Turkish waqf universities have positive impact on productivity, investments, welfare of all segments of society with a special emphasis on the welfare of the poor as they decrease the income inequality and poverty indicators to certain extent.

Mohammed et. al. (2020) mentions that the waqf universities in Turkey have been operating on the basis of corporate waqf-funded model. This dissertation shows that the

impact of waqf companies and waqf universities show an important degree of parallelism, especially in terms of productivity and investment. Since the benefits of these two channels are transferred to the household in form of scholarships, they have welfare gain extensions for all the segments of the society, through which the income inequality ameliorates. This verifies and elaborates one of the findings of Mohammed et. al. (2020).

In terms of the survey and analysis presented by Babacan (2011), this dissertation elaborates the current economic role of awqāf in Türkiye and their complementary role for the provision of public goods in Türkiye. In that regard, this dissertation tries to show the extensions of the “re-birth of the waqf system” in Türkiye mentioned by Çizakça (2016) on quantitative basis with reference to its impact on national accounts, welfare, poverty, income inequality and public finance indicators. In addition, this dissertation humbly elaborates their finding of Saad et. al. (2017), in terms of the positive impact of new awqāf on the welfare of the household income quintiles.

In addition, the results show parallelism with the findings of Ambrose et. al. (2019) in terms of the contribution of awqāf for the provision of public goods. As Ambrose et. al. (2019) shows the tax reduction and budget deficit implications of awqāf provision of public goods in Malaysian case, this dissertation shows the decreasing impact of awqāf on tax burden and budget deficit for Turkish case.

Moreover, in terms of the transfer effect of Turkish awqāf, the findings are in line with the results of Sarıbaş & Yumuşak (2021) and Bayram (2021), which envisage the awqāf as the central institution that collect and distribute the donations in the economy. Notwithstanding such a conception of awqāf has deficiencies in terms of the real meaning of awqāf in Sharī’ah, the distributional effects that these studies and this dissertation found show parallelism with each other.

## CONCLUSION AND RECOMMENDATIONS

Awqāf, which represent the institutionalized form of perpetual charity (*sadaqah jāriyah*) that are made for the sake of Allah Ta'ālā, have various reflections on our lives, including the economic ones. It is a kind of worship (*'ibādah*) that is endowed on perpetual basis to serve to the poor and any other permissible objectives through which the book of deed of its founder will remain open until the waqf perishes.

On the other hand, since it is an act of charity that is based on production of an economic value to be spent in a charitable objective, it has important links with the economy. It increases the production capacity of an economy through which the general welfare of the society increases with a special emphasis on the welfare of the poor. In that sense, it does have links with the poverty and income distribution. It also provides a wide range of public services at no cost to government, which has an ameliorating effect on budget deficit, tax burden and enlighten the burden of government in that sense. However, notwithstanding it has strong links with production, consumption, and distribution, all these relationships are constructed on the basis of charity and piety. Hence, instead of being an institution that aims to achieve economic progress, it is a gentle form of worship (*'ibādah*) through which its founder aims at the Pleasure of Allah Ta'ālā.

Within these considerations, this dissertation is a humble attempt to investigate the current economic role of awqāf in Turkish economy with reference to the theoretical discussions on the issue. In consideration with the research questions of the dissertation, we found that:

- i. The awqāf in Türkiye performed today to a limited extent the functions that they performed throughout the Islamic history, since they provide public services such as education and health, however in a restricted manner. One of the most important reasons behind this fact is the transfer of public services from awqāf to government, as the other one is the limited capacity of awqāf infrastructure in relation to the remarkable rise in the demand for these public services.
- ii. In terms of the difference between awqāf and government in provision of the public services, awqāf come forward through their income source that are based on return on mawqūf, that makes awqāf operate on the basis of their capital income, whereas the government finances the public services through

taxation. This distinction makes sense in a significant manner; the scenarios in which the awqāf are assumed to be abolished and government finances the awqāf services through taxation show that both the production capacity and GDP of the country decreases, whereas the tax burden and budget deficit increase. As a result, the awqāf have better implications on the welfare of all income groups, with a special emphasis on the welfare of the poor, and on income distribution compared to government, whose provision is found to be better in terms of poverty alleviation. It should be noted that this analysis is solely based on the interrelationships between the economic variables, not on any comparative efficiency analysis between the awqāf and government.

- iii. The awqāf is mostly for the poor and needy, and we found evidence in Turkish economy that awqāf have positive impact on poverty alleviation as well as on unequitable distribution of income that damages the poor.
- iv. In addition, awqāf are found to have an impact on social welfare in particular and Turkish economy in general mainly through two channels that are transfer effect and investment effect. These two kinds of effects can be timely matched with the dual classification of Kahf (2000) of awqāf into direct waqf and investment waqf, as the former can be matched with the transfer effect, whereas the latter with the investment effect. Transfer effect focuses on consumption and distribution dynamics of the economy since it increases the household consumption and thereby household welfare, through which the income inequality and poverty indicators decrease. On the other hand, investment effect leads to a rise in the productive capacity of the economy mainly through two main channels that are capital inputs of awqāf and investments. Thus, we can conclude that awqāf do not only influence the dynamics of distribution, but they also affect the production in practice.
- v. In that regard, awqāf cannot be treated as nonprofits in economics point of view, since the income source of nonprofits is donations and membership fees, instead the awqāf would operate on the basis of return on their assets. However, we can refer to a problem of NGOization of awqāf that implies the income source of awqāf has become gradually the donations and membership fees in Türkiye. This is also valid for other cases, such as Lebanon (Moumtaz, 2021). Although it is partial, because the awqāf still operate on the basis of return on asset, they differentiate themselves from the nonprofits to some

extent in reality. An explicit manifestation of this difference can be seen in the production capacity of the Turkish economy that is represented by output index, as in the scenarios in which the awqāf are supposed to be abolished, we found reductions in production capacity of the Turkish economy due to a withdrawal of capital inputs of awqāf. This difference has reflections on the provision of public goods, as it is directly related to the finance of public services.

We found that the awqāf—which are made for the sake of Allah Ta’ālā mostly to serve to the poor, needy, orphans and the wayfarer— perform an intermediary role in the fundamental economic activities such as allocation of resources through their impact on consumption and investment, as well as redistribution of income via ameliorating the income inequality and poverty gap. All these conclusions are valid for overall impact of awqāf, however for the “return on asset impact” we can only mention the investment effect that increases the output index and GDP. In order to strengthen the transfer effect of “return on asset impact”, diversification of new waqf assets that focuses on increasing the waqf revenues would be a useful measure.

It should be noted that the most important income sources for the impact of awqāf are the revenues of waqf companies, donations and membership fees, and rental incomes respectively. In that regard, the most important factor behind the new awqāf contributions and “return on asset impact” is the contributions of waqf companies that influence the Turkish economy through two main channels that are capital inputs and investments. On the other hand, dependency on donations and membership fees is an alarming problem that divert awqāf from their real meaning in Sharī’ah.

For the economic impact of awqāf, the waqf companies and waqf universities come to the forefront. The common feature of these waqf-based institutions is that they are both based on corporate waqf model. Thus, we can conclude that corporate waqf applications have a vital impact on Turkish economy.

Considering the policy recommendations, the following points can be suggested:

- The financial assets of awqāf can be channelized into real sector, through risk-averse investments that are in full compliance with Sharī’ah. Currently, financial revenues of new awqāf—most of which are earned through harām methods—constitute 21.53% of their total revenues. If a similar amount can be earned

through permissible enterprises, it means that the transfer effect of new awqāf can be compensated for roughly 39.82%. Hence, the “return on asset impact” mostly reflects upon the investment effect of awqāf, however through the possible ways mentioned above, the magnitude of the transfer effect can also be increased.

- The usage of fused waqf assets for haram purposes such as restaurants and hostels with alcoholic beverages and interest-based banking institutions should be completely avoided and abolished.
- Reduction in or even elimination of the income taxes that are levied on awqāf would be another incentive that might further develop the awqāf sector in Türkiye, since they have certain advantages for the macroeconomic outcomes in provision of public services compared to government.
- Another implication of relatively advantageous position of awqāf provision of public goods is that the prominent public services which are currently provided by awqāf such as education, research and development and healthcare would be partially transferred from public provision to awqāf provision. Among these advantages one can mention decreasing tax burden and budget deficit, as the welfare gains of bottom 80% are in relatively a better state and there is an improvement in distribution of income to certain extent for the awqāf provision. This can be done provided that the government should establish mechanisms for proper regulation of awqāf in terms of guaranteeing a sufficient level of efficiency and sustainability. In addition, the non-excludability and non-rivalrous features of awqāf provision should be guaranteed with proper and active regulation of the government.
- Another potential contribution of awqāf in Türkiye would be the implementation of a Sharī’ah compliant tax system through decreasing the tax burden and lightening the burden of the government in provision of public services. Since the least possible levels of taxes are desired in Sharī’ah point of view —provided that the Islamic state performs its obligatory functions such as justice and security as well as the levy of the obligatory taxes in Sharī’ah such as *‘ushr* or *jizyah*— awqāf would undertake the provision of certain public services either on partial or full basis.
- Government can allocate or designate more resources for irsādī awqāf, since they have a significant role on poverty alleviation, welfare of poor households as well as distribution of income.

- All these points should be observed in compliance with the Sharī'ah requirements and recommendations.

In regard to recommendations for research, further research can be conducted in the following areas:

- The scope of waqf companies can be extended in a way that it includes all the corporate awqāf in Türkiye,
- An incorporation of public good which is financed by the contributions of the government and awqāf into the model would give more accurate results for the comparison of government and awqāf in provision of public goods and services,
- The model can be extended into a dynamic one, through which the impact of awqāf on Turkish economy can be explored within a pattern,
- The impact of tax incentives for awqāf on Turkish economy would be investigated,
- The number of sectors can be increased in a way that it enables to conduct a multi-sectoral analysis in order to analyze the sectoral effects of awqāf on Turkish economy,
- Through the preparation of social accounting matrices for different countries that incorporates the awqāf accounts would enable to investigate the economic impact of awqāf in these countries,
- The possible impacts of the partial transfer of public good provisions from government to awqāf, especially of the provision of education and healthcare services that are not the obligatory functions of an Islamic state,
- The most challenging issues for the awqāf provision of public goods are the efficiency, administration, standardization of the public services provided simultaneously by various awqāf, governance and the fulfillment of basic qualities of public goods, which are being non-rival and non-excludable.

Hence, further research can explore these aspects of awqāf in Türkiye together with the other countries.

Considering the limitations of the dissertation, we can mention the following points:

- As a precautionary note, the economic impact of awqāf should not be exaggerated, since it has a complementary role, especially compared to the role of private sector in an Islamic economy. Thus, all the results should be evaluated in consideration of such role of awqāf in the economy.
- It should be noted that the model employed in this study is capable to show the direction of the economic effects of awqāf in Turkish economy within a general equilibrium setting, as these effects should be evaluated in terms of their directions, not in terms of the magnitude of the impact since the model could not find the equilibrium point, on which the Turkish economy came to equilibrium at the end of 2018. Thus, the interpretations should be made in terms of the direction of the relationships.
- The waqf companies have a predominant effect on the results. In this dissertation, due to data limitations, the scope of waqf companies is confined only to the subsidiary companies of TSKGV, which are ASELSAN, TAI, ROKETSAN, HAVELSAN, ASPILSAN and İŞBİR. This would understate the impact of waqf companies, since the scope of waqf companies lacks from the contributions of important companies such as Bilkent Holding, Sabancı Holding and Koç Holding. However, on the other hand, the model overstates the investment effect of waqf companies to certain extent, as another limitation of the study. Thus, these limitations should be taken into consideration for evaluating the results.
- This dissertation does not deal with the issues of efficiency and governance in awqāf. It does not measure the degree of efficiency of the government and awqāf, nor it makes a comparison for efficiency analysis in provision of public services between them. In addition, this model does not make a comparison between the government and awqāf on the basis of profitability. It only explores the economic impact of awqāf within the macroeconomic structure of Turkish economy that are based on microeconomic foundations.
- In the study, we used a static model that represents the Turkish economy at the end of 2018. The model does not have a dynamic nature.
- The awqāf are not modeled as a substitute or complement of the government for providing public services, rather it is defined as an economic agent which make final consumption expenditures on behalf of households through increasing their

budget and make transfers to them in cash and in kind, as they also contribute to the welfare of households through physical investments.

- This study assumes that Turkish economy has a perfectly competitive structure in which perfect competition assumptions are valid. Naturally, this assumption can reflect the reality in a limited sense.
- Although computable general equilibrium models require households to allocate their budget among different final goods to maximize their utility, since all the sectors in Turkish economy are aggregated into one sector, it is assumed that households consume only one final good in a way that they do not allocate their budget among different goods, as a limitation of the study.

As a final consideration that should be emphasized, the meaning of waqf is much broader and valuable than its economic implications, since it is a means to *qurbah* that makes a person close to his Lord the Almighty, while providing benefits to different segments of the society in the form of righteousness (*al birr*), beneficence (*al ihsān*), mercy and cooperation, with a special emphasis on the poor. Thus, the value or meaning that waqf carries cannot be evaluated within the scales of economics, because it is much weightier in the scales of the Sharī'ah.

Consequently, since the economic variables carry value because of the higher objectives that they serve from the Islamic point of view, the following points can be considered for the impact of awqāf in general:

- awqāf can contribute to the economic empowerment and independence of Ummah of Muhammad ﷺ through increasing their production capacity,
- awqāf can decrease the inequalities in income distribution by empowering the poor and middle-income groups mostly, as a more equitable distribution of income would help strengthening the brotherhood of Muslims through contributing to closure of the gap between rich and poor as well as removal of the economic barriers that would spread envy and intolerance within the society,
- awqāf can prevent the concentration of wealth in the hands of rich that would result in the seizure of legal and political power at the expense of the poor together with the economic ones,
- awqāf can increase the welfare of the poor,

- awqāf can increase the general welfare in the society through which the live conditions of all segments of the society are improved.

Thus, as an Islamic institution that was established by Rasūlullah ﷺ on the basis of *qurbah*, waqf in Turkish economy is observed to serve to the welfare of society with a special emphasis on the poor and needy, through empowering the real economy via investment, final consumption expenditures and transfers as well as ameliorating the income distribution, all of which represent the desirable objectives from the perspective of Islamic economics.

Only Allah Ta'ālā knows best.



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## APPENDIX

National Accounts	Output Index	$\frac{\bar{Y}}{\bar{py}}$
	Gross Domestic Product (GDP)	$\frac{\bar{C} + \bar{G} + \bar{I}_{public} + \bar{I}_{private} + \bar{I}_{waqf} + \bar{W} + \bar{NX}}{\bar{py}}$
	Household Final Consumption/GDP	$\frac{\bar{C}}{\bar{py} * \bar{GDP}}$
	Government Expenditures/GDP	$\frac{\bar{G}}{\bar{py} * \bar{GDP}}$
	Public Investments/GDP	$\frac{\bar{I}_{public}}{\bar{py} * \bar{GDP}}$
	Private Investments/GDP	$\frac{\bar{I}_{private}}{\bar{py} * \bar{GDP}}$
	Total Investments/GDP	$\frac{\bar{I}_{total}}{\bar{py} * \bar{GDP}}$
	Net Exports/GDP	$\frac{\bar{NX}}{\bar{py} * \bar{GDP}}$
Welfare*	Welfare Index of the Bottom 20%	$U(A_{hhq1}) = A_{hhq1}^{\alpha_{hhq1}}$
	Welfare Index of the Second 20%	$U(A_{hhq2}) = A_{hhq2}^{\alpha_{hhq2}}$
	Welfare Index of the Third 20%	$U(A_{hhq3}) = A_{hhq3}^{\alpha_{hhq3}}$
	Welfare Index of the Fourth 20%	$U(A_{hhq4}) = A_{hhq4}^{\alpha_{hhq4}}$
	Welfare of the Top 20%	$U(A_{hhq5}) = A_{hhq5}^{\alpha_{hhq5}}$
Income Inequality	P80P20 Ratio	$\frac{\bar{Y}_{hhq5}^D}{\bar{Y}_{hhq1}^D}$
	Gini Index	$G = \frac{\sum_{i=1}^n \sum_{j=1}^n  x_i - x_j }{2n^2 \bar{x}}$
Poverty	Poverty Gap	$PGI = \frac{1}{N} \sum_{j=1}^q \left( \frac{z - y_{j,h}}{z} \right)$ z: 60% of Median Equivalized HH Disposable Income
Public Finance	Tax Burden	$taxburden = \frac{(ty + ti + thh + tf + tw)}{\bar{py} * \bar{GDP}}$
	Budget Deficit/GDP	$Buddef = \frac{(\bar{G} - (ty + ti + thh + tf + tw)) * \bar{py}}{\bar{py} * \bar{GDP}}$

**Appendix 1:** Formula of Calibrated Parameters

# CURRICULUM VITAE

## OZAN MARAŞLI

### A. Education

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**PhD** İSTANBUL SABAHATTİN ZAİM UNIVERSITY  
INSTITUTE OF GRADUATE EDUCATION/ISLAMIC ECONOMICS AND  
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**Masters' of Arts** İSTANBUL TECHNICAL UNIVERSITY  
INSTITUTE OF SOCIAL SCIENCES/ECONOMICS

2016

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Title of the Thesis: The impact of interest on income inequality: An empirical investigation  
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**Undergraduate** İHSAN DOĞRAMACI BİLKENT UNIVERSITY  
FACULTY OF BUSINESS ADMINISTRATION/BUSINESS ADMINISTRATION

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### B. Academic Experience

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Research Assistant İSTANBUL SABAHATTİN ZAİM UNIVERSITY/FACULTY OF BUSINESS AND MANAGERIAL  
SCIENCES/ISLAMIC ECONOMICS AND FINANCE  
2016

### C. Book Chapters

1. Social Justice and Islamic Economics:Theory, Issues and Practice, Chapter:(Interest and Social Justice: In the context of Income Inequality) (2019)., MARAŞLI OZAN, Routledge, Editör:Lütfi Sunar, Toseef Azid, Edition:1, Number of Pages 210, ISBN:9781138558816, (Publication No: 5069935)
2. İslam İktisadında Sosyal Adalet: Reel Faiz Oranının Gelir Adaletsizliği Üzerindeki Etkisi, Bölüm adı:(Faiz ve Toplumsal Adalet) (2017)., MARAŞLI OZAN, İktisat Yayınları, Editör:Lütfi Sunar, Basım sayısı:1, Sayfa Sayısı 225, ISBN:978-605-67010-1-6, Türkçe, (Publication No: 5069945)

### D. Book Review

1. Book Review, MARAŞLI OZAN (2019). Mustafa Yıldız. Capitalism and Socialism for an Islamist: Eşref Efendizade Şevketî's Treatise on "Resolution for the Conflict between Labor and Capital". Turkish Journal of Islamic Economics, 6(1), 127-132., Doi: 10.26414/BR065 (Yayın No: 5069910)