

Chapter 1

Waqf Fundamentals, Principles, and Modern Applications

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ABSTRACT

Waqf has been playing an important social finance role in improving the welfare of Muslim societies for centuries. Recently, the financial technology (Fintech) has started penetrating every branches of financial system offering better services. Hence, waqf institutions could use this opportunity to comply with the wave of Fintech to improve the efficiency and enhance the transparency of operations. Understanding the importance of waqf, this chapter aims to clarify the concept of waqf from the perspective of Islamic jurisprudence, define its Shari'ah framework, and provide waqf classifications; and, finally, it reviews the existing applications of waqf models. The study should serve as guidelines for further development of waqf models in light of the latest technological advancements.

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Waqf Fundamentals, Principles, and Modern Applications**SECTION 1: INTRODUCTION**

The idea of *waqf* is as old as humanity. Muslim jurists argue that the first *waqf* ever made is the sacred building of Ka'bah in Makkah (Kahf, 2015). The Noble Qur'an mentions that it is the first house of worship set for people:

“Indeed, the first House [of worship] established for mankind was that at Makkah - blessed and a guidance for the worlds.” (Qur'an, 3:96).

Waqf has great importance for society. While spending in the sake of God, one gets great reward as long as *waqf* lasts, even after the death. Abu Hurayrah (may Allah be pleased with him) narrated that the Messenger of Allah (peace be upon him) said: *“When a man dies, his acts come to an end, but three: recurring charity, knowledge by which people benefit, or a pious son, who prays for him (for the deceased).”* (Sahih Muslim, 1255/3).

Waqf is a form of social finance. For ages, *waqf* has been playing a significant role in social welfare, especially among Muslims, by alleviating the poverty, supporting orphans and widows, building mosques and hospitals, spreading knowledge, strengthening family ties, and contributing for the betterment of the whole community. In order to perform these activities, the first legal entity - *waqf* foundation - was created, which had its own personality that is independent of the *waqf* managers (*mutawallis*) with its own rights and responsibilities as well as engagement in financial contracts. As any other entity, *waqf* foundation has its own assets which are obtained mostly through *waqf* contributions. They may include immovable assets such as land, buildings, equipment, and movable assets as cash, investment certificates, *Sukuk*, etc.

Due to such importance of *waqf*, it is essential to examine it from the primary and secondary sources of Islamic jurisprudence. It is also meaningful to examine the existing modern application of *waqf* and opportunities for further development. Therefore, in this chapter, we will describe the concept of *waqf* from the *Shari'ah* perspective and examine various modern *waqf* models in practice.

Waqf Fundamentals, Principles, and Modern Applications**SECTION 2: THE CONCEPT OF WAQF AND ITS LEGALITY**

According to ISRA's compendium (ISRA, n.d.), the word 'waqf' in Arabic literally means "to retain or hold back". Technically, *waqf* has been defined as:

"to make a property the inalienable property of its owner while making its yield and usufruct a charitable donation to specified beneficiaries." (ISRA, n.d.);

"...holding Maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness/philanthropy." (Kahf, 1998).

In other words, the definitions can be summarized as *retaining an asset for distribution of its usufruct to beneficiaries.*

The definition is universal as defines the essence of *waqf*: conservation of the asset and distribution of its usufruct for charitable ends. It emphasizes the importance of continuous holding such as protection from being consumed either through sale, providing as collateral, or transferring in the form of gift and inheritance. Meanwhile, the usufruct of that asset is to be distributed to philanthropic purposes as per conditions specified by the founder.

Legality of Waqf From the Shari'ah Perspective

The legality of *waqf* can be traced back to the primary sources - *Qur'an* and *Sunnah*, and the secondary sources such as *Ijma'* (scholarly consensus) (ISRA, n.d.). Though the word 'waqf' is not used in the texts, the essence of it and its importance is well defined.

From the Qur'an

Encouraging the spending in charitable purposes, Allah says in various verses of the Qur'an (interpretation of the meaning):

"The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing." (Qur'an, 2:261).

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“Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it.” (Qur’an, 3:92).

“Say, “Indeed, my Lord extends provision for whom He wills of His servants and restricts [it] for him. But whatever thing you spend [in His cause] - He will compensate it; and He is the best of providers.” (Qur’an, 34:39).

“So fear Allah as much as you are able and listen and obey and spend [in the way of Allah]; it is better for your selves. And whoever is protected from the stinginess of his soul - it is those who will be the successful.” (Qur’an, 64:16).

“...And whatever good you put forward for yourselves - you will find it with Allah. It is better and greater in reward...”. (Qur’an, 73:20).

From the Sunnah

There are numerous traditions (*hadith*) narrated from the Prophet Muhammad (*pbuh*) on the importance of charitable endowments. As reported by Abu Hurairah, the Prophet (*pbuh*) said: *“When a man dies his acts come to an end, except three things: ongoing charity, beneficial knowledge and pious offspring, who prays for him.”* (Sahih Muslim, 1255/3). In another *hadith*, it is reported that ‘Umar acquired a piece of land in Khaybar. He went to the Prophet (*pbuh*) and asked, *“O Messenger of Allah, I have acquired land in Khaybar which I consider as the most valuable of what I ever had, so what do you command me to do with it?”* He replied, *“If you wish you may make the property an inalienable possession and distribute its produce as charity.”* So ‘Umar allocated it for charity declaring that the property cannot be sold, given away, or be inherited, and its produce to be distributed among the poor, relatives, those who are on Allah’s path, travelers and guests, as well as for emancipation of slaves. The administer of this land will have the right to consume from it in a reasonable manner or share with others, provided he is not making from it the source for his enrichment (Muslim, 13/4006).

Narrated by Anas that Abu Talhah was one of the dwellers of Medina who possessed the largest palm gardens, among which was the most valuable garden known as *Bairaha’* which was located opposite to the mosque. The Prophet (*pbuh*) often used to visit it and drink from its finest water. When the verse was revealed (Qur’an, 3:92): *“You will not attain unto piety until you spend of that which you love. And whatsoever you spend, Allah is aware thereof.”*, Abu Talhah stood up and approached the Prophet (*pbuh*) and said: *“O Messenger of Allah, Allah revealed to you: “You will not attain unto piety until you spend of that which you love,” and*

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the dearest of my property is *Bairaha*'. I'm giving it as an endowment in the sake of Allah from Whom I hope to receive His reward and His treasure. So spend it, O Messenger of Allah, on whatever Allah guides you. The Prophet (*pbuh*) replied: "*Bravo! That is really profitable property! That is really profitable property! I have heard what you have said, but I think you should spend it on your nearest relatives*". Then, Abu Talhah distributed it among the nearest relatives and his cousins from his father's side. (Bukhari, 14/2758 and Muslim, 694/998).

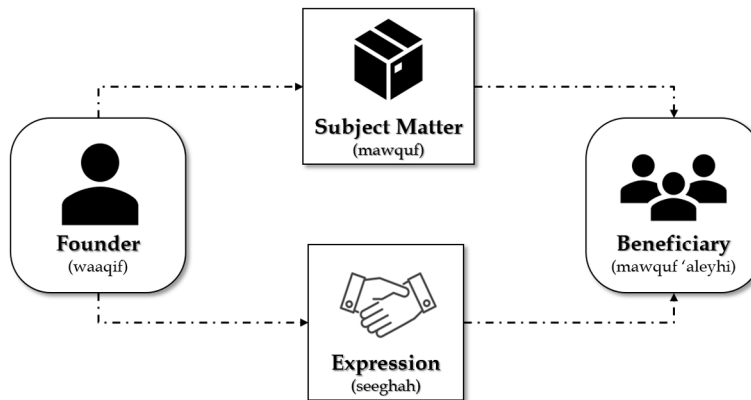
From the narration of Al-Baghawy that man from Bani Ghifar was selling his well called *Rumah*. Prophet (*pbuh*) told him: "*Give it to me in exchange for the well in Paradise.*" He replied: "*O Messenger of Allah, I have nothing for myself and my family except this.*" As soon as this news reached 'Uthman, he purchased it for 35,000 dirham, came to the Prophet (*pbuh*) and asked: "*Do you promise me what you have promised him?*" He (*pbuh*) replied: "*Yes*". 'Uthman said: "*I made it for Muslims.*" (Muhammad al-Sayyid Wakil, 1996)

From the Ijma'

It is reported that the companions of the Prophet (*pbuh*) had consensus (*ijma'*) on the validity of *waqf*. Ibn Qudamah, the author of *Al-Mughni* (5/599), stated that Jabir said: "*There was no wealthy companion of the Prophet (pbuh) who had not made donation for waqf; there was ijma' on it. Any of them who could afford would endow. It was widespread among people and no one rejected, thus, becoming ijma'*". Hafiz ibn Hajar also mentioned: "*We know no dispute among the companions nor the followers from people of knowledge regarding the validity of waqf.*"

SECTION 3: THE SHARI'AH FRAMEWORK ON WAQF**Pillars of Waqf**

As shown in Figure 1, there are four pillars of *waqf* such as founder (*waaqif*), beneficiary (*mawquf 'aleyhi*), subject matter (*mawquf*), and the expression of offer (*seeghah*). Each pillar has specific legal conditions to be fulfilled (AAOIFI, 2017):

Waqf Fundamentals, Principles, and Modern Applications*Figure 1. Pillars of waqf**Source: Authors*

1. **Founder (waaqif):** *Waqf* can be established either by a natural person or a legal entity. If the founder is a legal entity, *waqf* should be declared by the general assembly, not by the Board of Directors. The founder should possess a legal capacity to carry out financial transactions. *Waqf* is void if the founder is interdicted for insanity [by the court], except if it was dedicated for himself in form of personal *waqf* over his lifetime. If the founder was interdicted for his indebtedness, the permission from the creditors should be taken before establishing *waqf*. If they disagree, the *waqf* contract shall be considered invalid.
2. **Beneficiary (mawquf 'aleyhi):** The benefits of *waqf* can be distributed between Muslims and non-Muslims, the rich and poor, as long as used in permissible by the *Shari'ah* manner. It is not a pre-requisite that the beneficiaries should be in existence at the time of the *waqf* endowment. If none of specified recipients survive, the *waqf* should be transferred into charitable uses.
3. **Subject Matter (mawquf):** The key characteristics of an asset defined for *waqf* endowment are: a) being valuable (as recognized by the *Shari'ah*), b) being known (clarity of specifications), and c) being fully owned (with no encumbrance). It is permissible to endow a real state, including all movable assets attached to it, with the intention of its perpetuity. It is also permissible to dedicate movable assets to *waqf* regardless whether it is independent or attached to the real estate. Moreover, *waqf* can take a form of cash, however it should be used in a way that doesn't lead to its consumption [perpetuity]; for instance, making the low risk *Shari'ah*-compliant investments such as *mudarabah*, in which the profit portion shall be transferred to beneficiaries. Islamic investment certificates (*Sukuk*) can also be endowed, the generated cash flow shall be distributed to the beneficiaries.

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4. **Expression of Offer (seeghah):** *Waqf* contract is a unilateral agreement which requires the expression of offer by the founder, whereas the expression of acceptance by the recipient is not required. If a beneficiary doesn't accept it, while he has a legal capacity to engage in contracts, the *waqf* is still valid. In this case, he loses the right to receive it (or only his portion if *waqf* was given to a group of people) and it will be reallocated to charitable purposes. The offer of *waqf* can be expressed either verbally or in written form or using any other customary means. It is acceptable to fix the *waqf* contribution to a future event, for instance, by saying "I'm dedicated this asset to *waqf* in the next year". In essence, *waqf* is perpetual, however temporary *waqf* is also acceptable, but the founder should specify the period after which the title shall be returned back to him.

The founder has the right to stipulate any conditions in waqf contract, that do not contradict the Shari'ah, and the trustee (mutawalli) must act upon them. The conditions may specify the manner by which the endowed asset is used such as a) paying up one's debts after his death from the income generated; b) benefitting himself during his lifetime, and then sharing to his descendants, and, finally, dedicating to philanthropic purposes; or, c) diverting the philanthropic waqf to his needy descendants and, then, back to charitable activities.

SECTION 4: SUPERVISION AND ADMINISTRATION OF WAQF

The supervision and administration of waqf must comply with the Shari'ah rulings, and then with the terms of waqf contract if they do not conflict with the provisions of the Shari'ah, and public interest as per decision of the court.

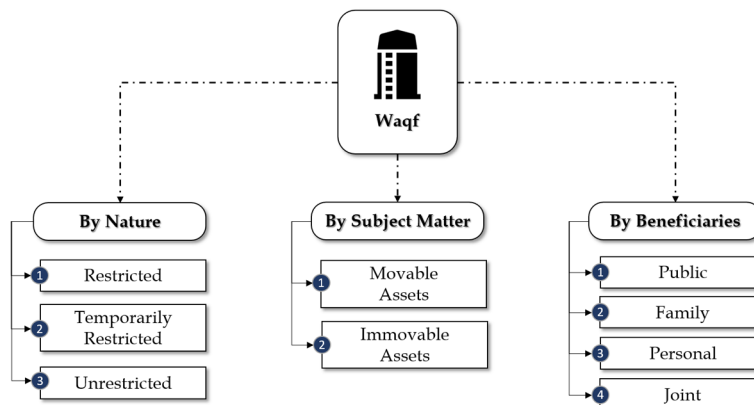
The scope of waqf supervisor (trustee) includes the formation, protection, maintenance, and management of waqf properties (AAOIFI, 2017). His responsibilities include a) operating lease of waqf properties or usufructs; b) development of waqf properties either by direct investment via legitimate financing modes or dealing with Islamic financial institutions; c) enhancement of waqf properties for the betterment of beneficiaries (higher yield or more benefit) such as switching the building from residential to commercial purposes or using the agricultural land for construction of buildings that would be leased; d) protection of waqf rights, custody, payment of fees to solicitors if legal issues have been taken against the waqf foundation, to pay charges for registration of waqf properties and rights; e) settlement of liabilities of waqf foundation; f) fulfillment of duties and obligations toward related parties; g) replacement of waqf assets by cash sale and purchasing another property, or exchanging one property for another, in accordance with the principles of replacement

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(istibdal); h) protection of waqf assets from seizure or extortion; i) subscription to Takaful insurance policies, if necessary; and j) managing waqf accounts and reporting to stakeholders.

However, the supervisor has some limitations in terms of his scope:

- Violating the terms of *waqf* contract.
- Leasing the *waqf* property to himself or his offspring even for higher rental than the fair market price, unless decided by the court; nor leasing to those people, whose witness for his benefit is not acceptable (spouse, close relatives, children, etc), except for full fair price; no slight trespass is tolerable that could be forgivable if leased to other people.
- Using proceeds from *waqf* for enhancing the outcome of *waqf*, except according to conditions put by the *waaqif*.
- Pledging [*rahn*] *waqf* property for debts of *waqf* foundation or related persons.
- No providing of it for free usage [*i'arah*] to anybody is allowed. If it has taken place, receiver must pay its market price.
- Borrowing funds for *waqf* foundation, unless stipulated by *waaqif* or by the decision of court, in case of necessity.
- While borrowing, the following should be taken into consideration:
 - It is permissible to borrow on guarantee of *waqf* foundation through legitimate borrowing, or deferred payment purchase, or using other financing modes compliant with the *Shari'ah*, for its maintenance or reconstruction according to conditions stipulated by the *waaqif*, or permission given by the court in case of arising necessity to borrow, taking into account that costs should be covered by future income. It is not considered under restricted borrowing if the above mentioned payment was done from the personal pocket of the supervisor for the interest of *waqf* which will be covered from the returns produced by the *waqf*.
 - Situations when the borrowing is required in the absence of stipulations done by the *waaqif*:
 - If there is a necessity to maintain or form *waqf* property and not enough income is generated.
 - Payment of financial liabilities - if any - and there is no income to pay.
 - There is inability to pay salaries for employees working on *waqf* because of which the *waqf* usufruct will be lost.
 - It is not permissible to borrow for paying to beneficiaries.

Waqf Fundamentals, Principles, and Modern Applications*Figure 2. Classification of waqf**Source: Authors***Diverting the Remaining from the Waqf Income Belonging to a Mosque**

Initially, the income generated by waqf property which is dedicated to certain mosque should be used for its own needs, and, then, what remains can be transferred to other mosques lacking proceeds for maintenance or reconstruction.

Application of Financing Modes for the Development of Waqf Properties

It is permissible to invest the proceeds of waqf in the following cases as long as the beneficiaries will receive their rights: a) If the founder stipulates the investment of a part of it; b) If the period when beneficiaries shall receive their benefits has not started yet; and c) If there is a surplus remained after the distribution to beneficiaries. However, the chosen mode of financing must be Shari'ah-compliant (e.g., Mudarabah, Musharakah, Murabahah, Ijarah, Salam, etc) in low risk investments.

Waqf Fundamentals, Principles, and Modern Applications**Ownership of Waqf**

There is a consensus among the Muslim scholars that the usufruct of *waqf* assets belongs to beneficiaries, but, there are different views about the ownership of the asset itself. The most popular opinion is that ownership of endowed asset belongs to Allah, and *waaqif* does not own the asset any longer while the beneficiaries own the usufruct only. This is the opinion of Abu Yusuf and Muhammad (*Hanafiyyah*), and explicitly highlighted by the *Shafi'iyyah* and *Hanabilah*, if *waqf* was endowed for mosques, schools, the poor, etc. In other words, the legal ownership belongs to Allah, while the beneficial ownership is assigned to beneficiaries (Bakar, 2007).

SECTION 5: CLASSIFICATION OF WAQF

Waqf can be classified into three broad categories depending on nature of *waqf*, the subject matter, and by type of beneficiaries (see Figure 2).

1. **Categories of Waqf by Nature:** Depending upon the degree that *waaqif* (founder) has or has not placed restrictions, *waqf* can be divided into three categories:
 - **Unrestricted waqf** is used for religious and philanthropic purposes. This category contains no restrictions on the use of assets, and the management can use the funds as it chooses, to carry out the purposes for which the *waqf* foundation exists, philanthropic or religious purposes.
 - **Temporarily Restricted (by time and purpose):** It is applicable to different types of *waqf* such as family *waqf*, personal *waqf*, etc. This fund includes the donations, the income from which is paid to *waaqif* until his death (personal *waqf*), or his descendants (family *waqf*); then the *waqf* becomes available for other charitable uses; i.e. temporary restriction by time or purpose. The basis for this can be found in the *Shari'ah* standards of AAOIFI (2017), which defines that it is permissible for the *waaqif* to put condition on the way how the *waqf* is to be utilized, as paying up his debts after his death from the income generated; or, getting benefit himself within his life-time, and then for his descendants, and after that for philanthropic purposes; or, diverting the philanthropic *waqf* to his needy descendants and, then back to charitable activities. It is acceptable to fix the *waqf* contribution to a future event, e.g. "I'm giving this to *waqf* for coming year". It is not required that the beneficiaries should be in existence at the time of the *waqf* endowment.

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If the recipients are no more existing - one or more - the *waqf* should be transferred to charitable uses.

- **Restricted:** This type of *waqf* is restricted by time or purpose. This category includes endowments given to *waqf* foundation to be spent on specific purpose, or within specified time. According to AAOIFI, 3.1.4, “*The basic characteristic of waqf is perpetuity. However, temporary waqf is acceptable if the founder (waaqif) specifies the period after which the title will be returned back to him.*”
2. **Categories of Waqf by Subject Matter:** By subject matter, the *waqf* can be further categorized into two different levels as presented in Figure 2:
- **Immovable assets** such as fixed assets as shops, houses, farms, shares in companies or businesses, schools, mosques, hospitals, clinics, libraries, etc.
 - **Movable assets** such as cash, books, arms, jewelry, etc. Majority of Muslim scholars (*Malikiyyah, Shafi’iyyah* and *Hanabilah*) accepts the validity of *waqf* of movable assets.
3. **Categories of Waqf by the Beneficiaries:** By the beneficiaries, *waqf* is divided into four different categories as presented in Figure 2: *Public waqf, Family waqf, Joint waqf and Personal waqf.*
- **Public Waqf (khayri):** In this type of *waqf*, the proceeds and usufruct are endowed to charitable ends only.
 - **Family Waqf (ahli):** The founder dedicates the proceeds to certain people, whether they are his descendants, relatives, or others; if beneficiaries are no longer available, the title will be diverted to charitable purposes.
 - **Joint Waqf (mushtarak):** It is a combination of public *waqf* and family *waqf*, in which the usufruct and proceeds are shared between the family and public.
 - **Personal Waqf:** For the founder himself as long as he is alive, and then it is transferred to the specified objectives.

Waqf Fundamentals, Principles, and Modern Applications**SECTION 6: CASH WAQF****Legality of Cash Waqf**

As per *Shari'ah* Standard 33 of AAOIFI (2017) on *waqf*, it is allowed to donate *waqf* in cash. However, the principal amount should be used in a way that doesn't lead to its consumption; For instance, through the *Shari'ah*-compliant low-risk investments as *mudarabah*, and the profit generated should be transferred to beneficiaries.

The basis for that can be found in the classical Islamic jurisprudence (*fiqh*). Cash *waqf* is viewed as permissible by the scholars of *Malikiyyah*, Imam Ahmad Hanbal, as well as Al-Ansary, the companion of Imam Zufar (*Hanafiyyah*). According to Imam al-Zuhri, it is permissible to have *waqf* on dinar as long as it is used for working capital and the profit is distributed to the beneficiaries (Abu Su'ud Muhammad, 1997). The first generation of *Hanafiyyah* viewed that it is permissible to contribute *waqf* in the form of cash as an exception, based on *istihsan bil-'urfi* (customary preference), supporting the opinion of Abdullah ibn Mas'ud (Al-Zuhaili, 1985). As mentioned by some *Shafi'iyyah*, Imam ash-Shafi'iy considered *waqf* on dinar and dirham as permissible (Al-Mawardi, 1994). This opinion has great importance for modern application of *waqf* because most contributions are made in the form of cash, *waqf* certificates, *waqf Sukuk*, etc.

Temporality of Cash Waqf

Temporary *waqf* is permissible according to *Shari'ah* Standard 33 of AAOIFI on *waqf*, as stated above: “Essentially, *waqf* is perpetual. However, temporary *waqf* is acceptable if the founder (*waqif*) specifies the period after which the title will be returned back to him.” The basis for that can be traced back in the *Fiqh*: according to *Malikiyyah*, it is allowed to set the time horizon for *waqf*. However, if the expression of offer (*seeghah*) implied perpetuity, then it becomes irrevocable. Muhammad (from *Hanafiyyah*) and some *Hanabilah* are of the same view.

Investment of Cash Waqf

As stated by AAOIFI (2017), cash *waqf* should be invested for the purpose of generating income: to develop *waqf* property either by direct investment, through legitimate financing modes, or by dealing with Islamic Financial Institutions; and to expand cash *waqf* by the means of *Mudarabah*, etc.”

*Waqf Fundamentals, Principles, and Modern Applications***SECTION 7: MODERN APPLICATION OF CASH WAQF**

The last two decades have witnessed the revival of the institution of *waqf* and the creation of movable *waqf*, i.e. cash *waqf*, in almost all Muslim countries and Muslim minority countries. Various *waqf* models have been implemented in different jurisdictions, and, with the technological advancement, more sophisticated structures could be adopted for the efficient *waqf* management.

Current Practices

The following highlights existing cash *waqf* models that have been practiced in some countries and by international organizations:

1. **Waqf Shares Model:** As illustrated in Figure 4, the *waqf* founders (individuals and firms) contribute to *waqf* fund and receive cash *waqf* certificates from *mutawalli*. *Mutawalli* distributes the accumulated funds or generated revenue to charitable purposes. This model is used for public *waqf* and currently practiced in Malaysia, Indonesia, England, Sudan, and Kuwait. It is commonly used for building mosques, Islamic schools, medical facilities, water and sanitation, and supporting orphans.
2. **Direct Waqf Model:** As presented in Figure 5, *waqf* founders make deposit into special bank account of *mutawalli*. The bank invests the collected cash and generates profits. *Mutawalli* receives the funds from the bank and distributes them for charitable purposes. This model is employed in Malaysia, Singapore, Bahrain, UAE, Pakistan, India, the United States, South Africa, IDB, OPEC in the form of public *waqf*.
3. **Mobile Waqf Model:** As depicted in Figure 6 below, *waqf* founders make contributions by sending SMS to a mobile operator with the order to deduct their airtime and send it to *mutawalli*. Mobile operator transfers the sums to the *mutawalli*. *Mutawalli* and mobile operator invest the collected funds through *musharakah* contract. The profit generated is shared as per agreement. Finally, the *mutawalli* distributes the amount to beneficiaries. This model of *Waqf* is found in Malaysia and Kuwait and used for Public *Waqf*.
4. **Compulsory Waqf Model:** As illustrated in Figure 7 below, the *waqf* founders (employees) make monthly contributions from the salary (through automatic check-off system). *Mutawalli* receives funds and spends on philanthropic purposes. This model is used in Singapore by Singapore Islamic Council for Public *Waqf*.

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Figure 3. Cash waqf models

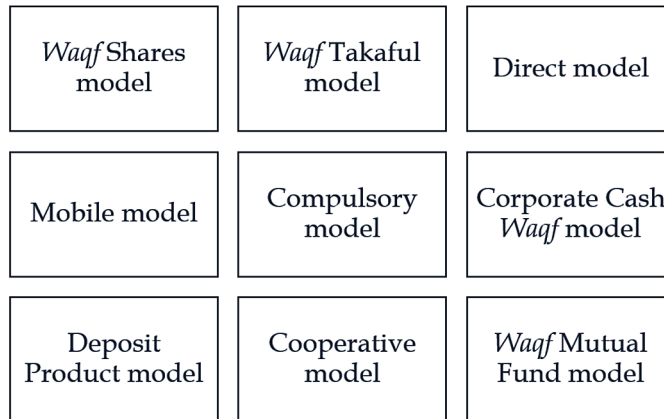
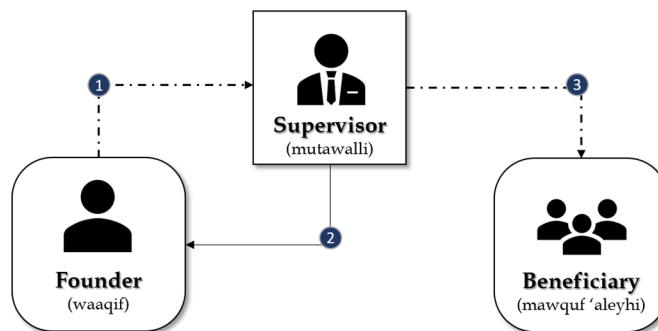
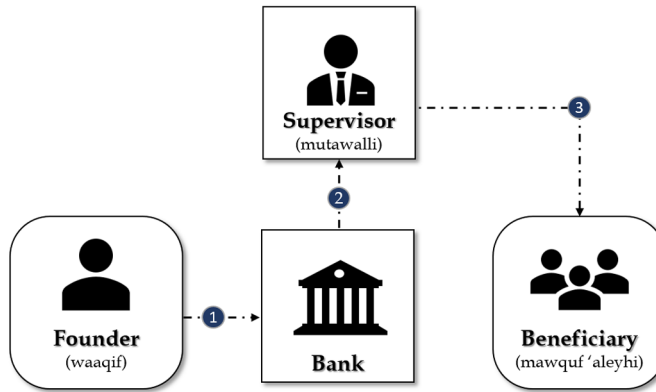
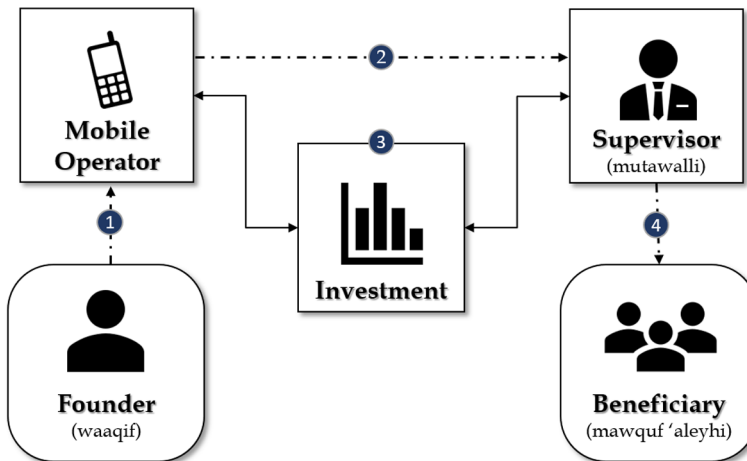


Figure 4. Waqf shares model

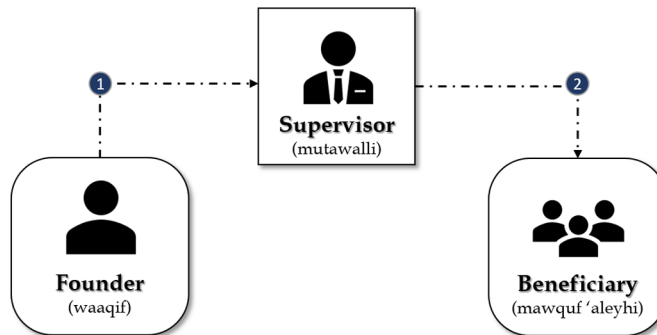
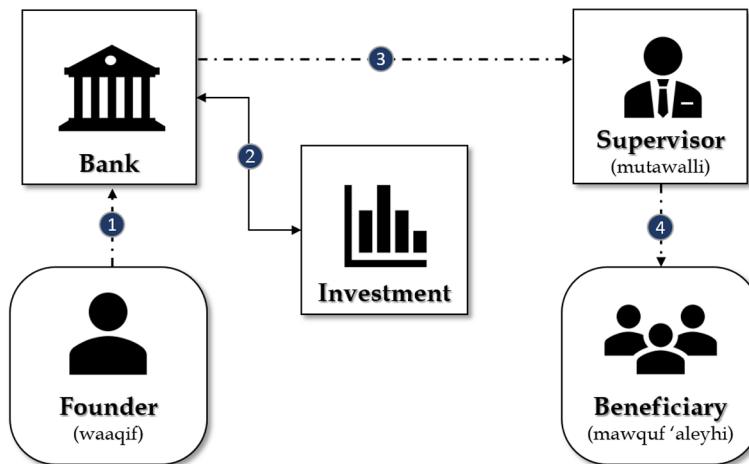
Source: Ismail Abdel Mohsin (2013)



5. **Deposit Product Waqf Model:** As shown in Figure 8, the *waqf* founders deposit cash in a special waqf account opened in bank. Bank manages funds on behalf of the *mutawalli*, invests on *mudarabah* basis. The bank transfers the generated profit to *cash waqf account*. The *mutawalli* distributes funds to beneficiaries. This model can be found in Bangladesh and employed by SIBL (Social Investment Bank Limited) and IBBL (Islamic Bank Bangladesh Limited) for public *waqf*.

Waqf Fundamentals, Principles, and Modern Applications*Figure 5. Direct waqf model**Source: Ismail Abdel Mohsin (2013)**Figure 6. Mobile waqf model**Source: Ismail Abdel Mohsin (2013)*

6. **Cooperative Waqf Model:** This model is presented in Figure 9. The *waqf* founders (local citizens) make cash *waqf* contributions to the District Cash Waqf Fund. Mutawalli receives funds and invests. Earnings are spent on the development of public projects in the area. The model is used in Uzbekistan in 1992 for public *waqf* (for religious, educational, healthcare and economic development) and called *Mahalla Cash Waqf*.

Waqf Fundamentals, Principles, and Modern Applications*Figure 7. Compulsory waqf model**Source: Ismail Abdel Mohsin (2013)**Figure 8. Deposit product waqf model**Source: Ismail Abdel Mohsin (2013)*

7. **Mutual Fund Waqf Model:** As illustrated in Figure 10, the *waqf* founders make contributions to Mutual Fund and specify that certain portion of investment earnings will be allocated to *waqf* fund. Generated profit is divided into two funds - Mutual and Waqf. Waqf Fund is used to provide endowments to charitable purposes. This model is used in Indonesia in the form of joint *waqf* (*mushtarak*).

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Figure 9. Cooperative waqf model
Source: Ismail Abdel Mohsin (2013)

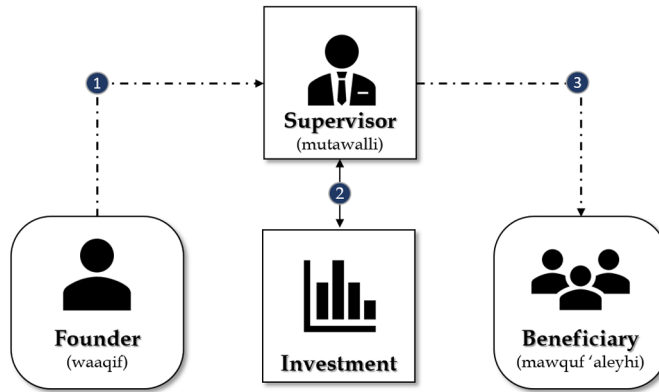
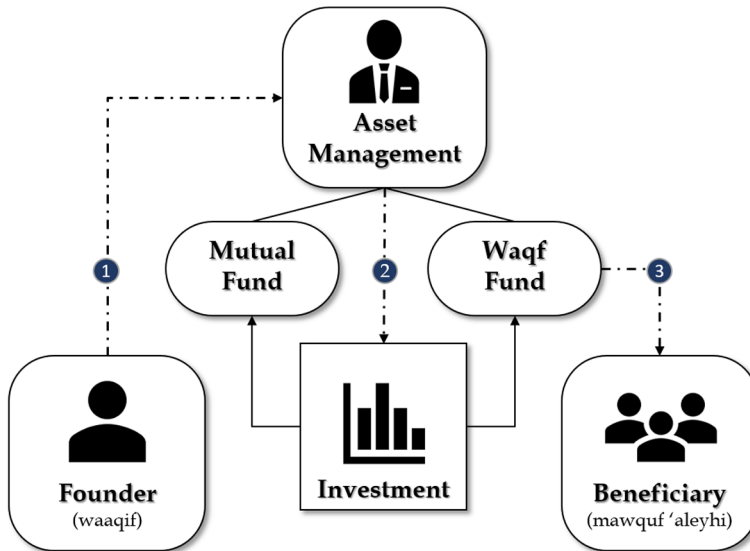


Figure 10. Mutual fund waqf model
Source: Ismail Abdel Mohsin (2013)



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Figure 11a. Donation-based crowdfunding cash waqf to redevelop the old waqf properties (Direct scheme)

Source: Ismail Abdel Mohsin (2019)

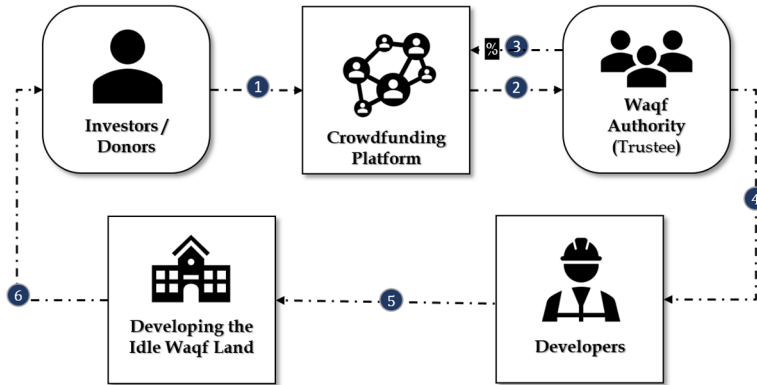
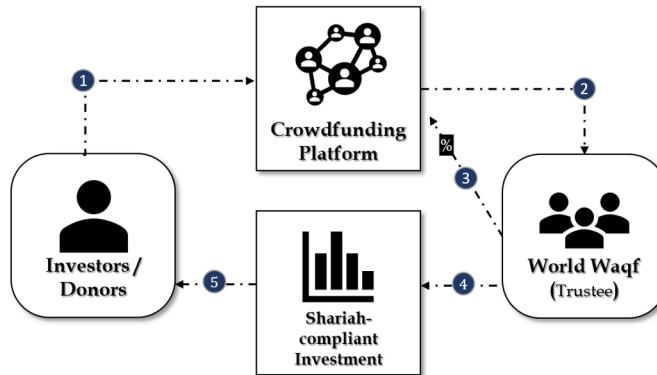


Figure 11b. Donation-based crowdfunding cash waqf to provide services to those in needs (Indirect scheme)

Source: Ismail Abdel Mohsin (2019)



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Figure 11c. Equity crowdfunding for developing the old waqf properties

Source: Ismail Abdel Mohsin (2019)

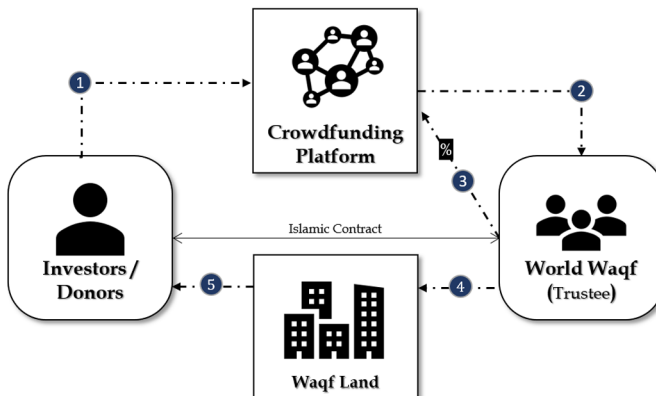
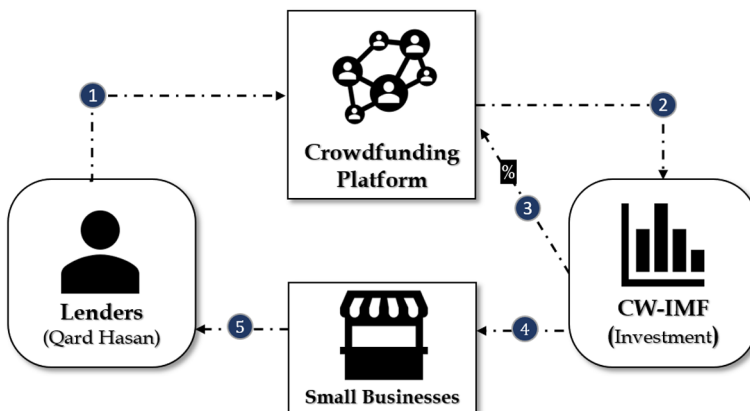


Figure 11d. P2P Crowdfunding platform

Source: Ismail Abdel Mohsin (2019)



Latest Trends in Waqf

Waqf and Fintech

The twenty-first century emerged with several innovative and revolutionary ideas, concepts, and developments, including substantial technological advancement in economics and major amendments in financial arena. Verily, this conjunction trembled and transformed the technological course of history. According to the

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International Monetary Fund (IMF), “a new wave of technological innovations, often called “fintech,” is accelerating change in the financial sector” (He et al., 2017).

Although Fintech has yet to obtain enough attention in the area of *waqf*, there is a huge potential to reform the *waqf* based on this platform – e.g., crowdfunding, blockchain and cryptocurrency, mobile payment systems, robo-advisory, and artificial intelligence. According to Ismail Abdel Mohsin (2019), crowdfunding¹ and blockchain can significantly contribute to the development of the *waqf*. Recently, the concept of Islamic crowdfunding² has been used to facilitate and develop the *waqf*. For example, donation-based crowdfunding model (direct scheme) for redeveloping the old *waqf* properties, in which the accumulated *waqf* funds are invested to build mosques, schools and hospitals on the idle *waqf* lands (see Figure 11A). Meanwhile, donation-based crowdfunding model (indirect scheme) is used to provide service to those in needs (see Figure 11B). The accumulated *waqf* funds in this model are allocated to rural areas for digging wells, providing electricity, supporting orphanages, feeding the poor, and supporting refugees.

In addition, equity crowdfunding models are adopted to facilitate the improvements of the old *waqf* properties through construction financing (*Istisna*), long lease (*hikr*), build-lease-transfer (BLT), build-operate-transfer (BOT), joint venture, partnership bonds (*Sukuk al-Musharakah*), and diminishing partnership (*Musharakah Mutanaqisah*). In these models (see an example in Figure 11C), the collected funds are invested into the development of commercial (e.g., malls and office towers) and non-commercial properties (e.g., residential complexes and residential towers). The profits from this investment are shared with investors in accordance with underlying Islamic contracts. Next, peer-to-peer (P2P) lending-based crowdfunding model (see Figure 11D) is employed to collect funds in the form of interest-free loans (*qard hasan*), which are allocated to small businesses such as sewing machines for tailors, restaurants, boats for fisherman, and equipment for nursery, etc. Interestingly, the investors are not expecting to receive any monetary return, but rather only principal amount that they have invested along with the reward from Allah.

Furthermore, the *waqf* can be developed materializing the concept of blockchain and cryptocurrency in *waqf*. Through this concept, crypto coin could be introduced into *waqf* providing the sponsors/donors easy access to various *waqf* schemes, sending the *waqf* contribution to the nominative beneficiaries quickly, ensuring the accuracy and transparency of donor’s amount, and monitoring the social impact of the contributions on community and the society at large (Ismail Abdel Mohsin, 2018).

Waqf Fundamentals, Principles, and Modern Applications**SECTION 8: CONCLUSION**

Institution of *waqf*, throughout its long history, has played a great role in economic and social development of Islamic societies. It was the first system that supported financing many of socio-economic projects and infrastructures.

Waqf as a separate legal entity has the capacity to accept or transfer ownership, to engage in contracts, invest and accept payments. *Waqf* foundation is a trustee that accepts endowments and invest or disburse them according to the wills of the founders. Thus, there is need for full transparency and proper accountability.

In order to enhance accountability and transparency of the *Waqf* foundation (*Mutawalli*), it is necessary to record the *waqf* financial and non-financial transactions regularly. As a result, proper reporting and transparency ensures the future *waqf* contributions inflow from the potential *waqf* founders. Hence, the latest technological advancements, such as blockchain and FinTech, could be used to improve the management of *waqf* funds ensuring the maximum impact on the society.

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ENDNOTES

¹ “Crowdfunding is defined as an open call over the Internet for financial resources in the form of a monetary donation, sometimes in exchange for a future product, service, or reward” (Kleemann, Voß, & Rieder, 2008; Belleflamme, Lambert, & Schwienbacher, 2014).

² “Islamic crowdfunding is a combination of the current financial technology of crowdfunding together with the Islamic contracts (murabahah, musharakah, muradhrabah)” (Ismail Abdel Mohsin, 2018).