1. The concept of waqf

This chapter introduces the definitions of waqf from the four eminent Muslim scholars. Next, the practices of waqf are discussed including its components, types, ten stipulations, and contemporaries of waqf.

DEFINITIONS OF WAQF

A waqf is an inalienable charitable endowment under Islamic law. It typically involves donating assets for Muslim religious or charitable purposes with no intention of reclaiming those assets. A waqf is an endowment made by a Muslim under Islamic Law to a fund manager who is responsible for generating profits that are subsequently used to support socioeconomic development. A waqf is similar to an endowment fund but is strongly encouraged in Islam as a contribution to society (Sukmana, 2020).

The term waqf (or awqaf) which means stopping, containing, or preserving something, is derived from an Arabic root verb. Waqf in Arabic is literally referred as al-Habsu ‘an at-Tasarruf which means to hold, keep, or detain. Waqf is also known as Boniyat or Habs, and these two terms are used primarily in Iran and North Africa, respectively. In other words, waqf means a unique form of endowment by a waqif (donor or endower) who gives up some of his personal assets (for example, in the form of cash) to be used forever or for a certain period of time in accordance with his interests (Husin, 2020).

In legal terms, waqf is defined as a perpetual dedication of a certain property to Allah SWT by devoting the property’s benefits to religious and charitable causes (Md Saad et al., 2017). The National Awqaf Foundation of South Africa outlines that, in Shariah, waqf is a voluntary, permanent, irrevocable, cash or kind devotion of one’s wealth to Allah SWT. The National Awqaf Foundation of South Africa mentions that once waqf is dedicated, it cannot be changed, confiscated, or sold. It belongs to Allah, and the waqf remains intact at all times. Ismail et al. (2021), quoting from Kahf (1998), states that waqf from a Shariah perspective is ‘holding an asset and preventing its use to repeatedly extract its usufruct for the benefit of a noble or philanthropic objective’.

In the context of socio-economics, waqf can be used as a mechanism to increase the standard of living within the ummah (society), reduce poverty and difficulties among the poor, and maintain a good living. This is done through a fair wealth distribution among the society members (Salarzahi et al., 2010).
DEFINITIONS OF WAQF BY SCHOLARS

As explained by AlButi (2009), the four eminent Islamic scholars of al-Hanafi, al-Maliki, al-Syafi’i and Hanbali have different definitions of waqf, or endowment, as follows (Hasan and Ahmad, 2017).

**Al-Hanafi**: Waqf is intended to preserve and upkeep the original wealth that belongs to someone else and grants its profits to the needy. By this, we can learn that waqf’s purpose is to preserve the wealth or something that can give benefits or profit, without it being consumed by the original owner and the benefits or profit from it are to be bequeathed to the needy. According to Hanafi, through waqf, kindliness is manifested, and it is offered to those in need in the spirit of camaraderie and it this gesture that will be rewarded by God as a good deed on the day of resurrection.

**Al-Maliki**: Ownership of the profit originated from the wealth given as an endowment is granted to whoever the endowment was meant for or the needy. By this it can be understood that waqf is to give the right to consume the profit of wealth that was given for endowment to whoever the endowment was meant for or the needy. According to Maliki, waqf is an engagement that is recommended (sunnah) in Islam.

**Al-Syafi’i**: Waqf is intended to keep the wealth that can give benefits, maintaining it in the same form, and the original owner is not allowed to consume it. It can be learnt that waqf is to keep the wealth that can give benefits to the needy, and that wealth remains in the same condition while the original owner cannot consume it. According to Syafi’i, it is recommended (sunnah) in Islam to keep the benefits of certain wealth and grant its benefit to the needy or people who deserve it.

**Hanbali**: Waqf is keeping the original owner from consuming wealth that he had endowed to supply benefits to the needy, and the wealth is maintained in the same form. According to Hanbali, waqf is an engagement that is recommended by Islam and can make us nearer to God.

PRACTICES OF WAQF

This section explains the components of waqf, types of waqf, ten stipulations for the creation of waqf and contemporary waqf. Contemporary waqf consists of cash waqf, waqf shares, and corporate waqf.

**Waqf Components**

There are four major components of any waqf: (1) the Donor or Endower (waqif); (2) the Beneficiaries (mawqūf ʻalayh); (3) the waqf institution or...
Table 1.1 Descriptions of waqf’s main components

<table>
<thead>
<tr>
<th>Waqf components</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Waqif</em> – The Donor or Endower</td>
<td>A contributor, who decides to give his personal wealth as waqf for a specific purpose</td>
</tr>
<tr>
<td><em>Mawqūf ʻalayh</em> – The Beneficiaries</td>
<td>Recipients</td>
</tr>
<tr>
<td><em>Mutawalli</em> – The waqf institution or Trustee</td>
<td>Who oversees the waqf property to the wellbeing of the beneficiaries</td>
</tr>
<tr>
<td><em>Mawqūf</em> – The Corpus/endowed property</td>
<td>The original capital (property or cash waqf) given by the waqif is called a <em>mawqūf</em> (corpus/endowed property)</td>
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Trustee (*mutawalli*); and (4) the corpus/endowed property (*mawqūf*). A contributor, who decides to give his personal wealth as waqf for a specific purpose is called ‘*waqif*’. The original capital (property or cash waqf) given by the *waqif* is called ‘*mawqūf*’ (corpus/endowed property). *Waqif* strictly specifies how the corpus should be used or spent. Thus, the privately gathered wealth of a devout Muslim turns into God’s property. The *waqif* carefully specifies how the yearly income of the waqf should be spent. This income (usufruct) might be dispensed totally for a devout reason, or to a group of recipients (beneficiaries). The administration of the waqf is endowed to waqf institutions or trustees, *mutawalli*, who oversees the waqf property to the wellbeing of the *mawqūf ʻalayh* (recipients). The main duty of *mutawalli* is to preserve the property and to maximize the revenues of the beneficiaries. Table 1.1 gives descriptions of the waqf’s main components.

Types of Waqf

In principle, the classification of waqf can be divided into three types: waqf *khairy*, waqf *ahli*, and waqf *mushtarak*.

First, waqf *khairy* or religious waqf is commonly allocated for mosques and religious schools. Waqf *khairy* is classified into two forms: waqf *mutlak* (general waqf) and waqf *muqayyad* (special waqf). Waqf *mutlak* refers to the practice of handing over waqf without a specific purpose in waqf state property. The property can be developed for any purpose as long as it does not conflict with Islamic law (Mohamed Nor and Yaakub, 2015). Waqf *Muqayyad* is the waqf of dedicating a property where the donor states the giving of waqf for specific purposes, while dedicating the property and its ownership to be used only for the purpose stated by the *waqif*. The waqf property from waqf *muqayyad* can be endowed in immovable and movable properties. Generally, an immovable property refers to assets such as lands and buildings, while a movable property can be in the form of books, prayer mats, and even cash.
Mohamed Nor and Yaakub (2015) state that a majority of scholars argue that any waqf property that can be traded can be donated while the benefits can be enjoyed by the recipient on an ongoing basis.

The second type of waqf is waqf *ahli*, also known as ‘family waqf’, which is absolutely created for the interest of house members (inclusive of the founder or waqif) or for other persons that the founder specifies (Abdel Mohsin et al., 2016). Husin (2020), quoted from Hennigan (2004), agreed that for waqf *ahli*, if the waqf is in the form of property, its income will be allocated to the heirs and for charitable purposes – in other words, it is for an immediate member of the owner’s family. Waqf *ahli*’s advantages are given to such people who have an individual relationship or are associated by ancestry to the benefactor. The beneficiaries of the trust are together the relatives of the first beneficiary. Upon the passing of the named beneficiaries’ and founders’ relatives, Sait and Lim (2006) mentioned that the waqf properties’ endowed advantages will be given to charity with no constraints (Ibrahim and Ibrahim, 2013). Mohamad (2018) explained that the requirements of waqf *ahli* are the same as normal waqf. It requires the fulfillment or compliance with the same principles and conditions as other types of waqf but the benefits of waqf can be specifically allocated to family members to ensure their security in terms of education, future life, and depending on the donor’s intentions.

Nevertheless, historically, waqf *ahli* is more popular due to two major reasons. First, waqf *ahli* was formed for the family to retain the properties intact, to guarantee the beneficiaries’ rights during the period of the waqf objects, and to govern the transference of property endowed benefits from one generation to another (Husin, 2020). Doumani (1998) added that waqf *ahli* was also seen as the ideal instrument for protecting the family’s wealth in countries that are facing frequent political and economic turmoil, as waqf properties cannot be seized either to please the ruling power or to collect amount dues. Second, waqf *ahli* was used to restrict divisions of wealth due to Islamic inheritance jurisprudence (Husin, 2020). Taking the view of other scholars, Mohamad (2018) states that the benefits of waqf *ahli* are sometimes overshadowed by the claim that it is also possible to avoid Islamic inheritance rules and bequeath to certain family members through waqf *ahli*. The claim is in line with the principles of English charitable trust law, where family members are not legally categorized as legal beneficiaries therefore the dedication is void. The effects of colonization in some Islamic countries such as Egypt, Malaysia, and India show that waqf members have been declared invalid, or restrictions have been imposed on waqf before it can be legalized. Nevertheless, waqf *ahli* is no longer popular nowadays. In fact, the creation of waqf *ahli* is restricted in numerous Islamic countries, such as Lebanon, Syria, and Egypt.

Waqf *mushtarak* is a combination of waqf *khairy* and waqf *ahli*. It is also called the philanthropic waqf. Usually, under this type of waqf, the founder
The concept of waqf

(waqif) will specify the target beneficiaries (usually family members) and later assign the benefits for broader welfare purposes (Yaacob, 2013). Waqf mushtarak is formed to benefit the waqif house members as well as for benevolent and public reasons. Siraj (2012) mentions that waqf mushtarak is widely practiced in Egypt. Generally, part of the waqf proceeds will be channeled to the founder’s preferred mosque, or school, or for certain religious services such as reciting the Qur’an at his tomb, while the other part will go to public beneficiaries. Other examples of beneficiaries are libraries, educational centers, health care, animal care, taking care of the environment, development activities of green spaces, and roads. The existence of waqf mushtarak is hardly traceable in Malaysia (Yaacob, 2013). The next topic will discuss the ten stipulations for the creation of waqf.

**Ten Stipulations for the Creation of Waqf**

Muslim jurists approved ten stipulations for the creation of waqf. These stipulations give flexibility in switching the revenue of the waqf from one beneficiary to another according to the needs of different societies. These ten stipulations are initially derived from five pairs of stipulations. The first three pairs grant flexibility in terms of changing the mode of distribution of the revenue of the waqf to beneficiaries, while the last two pairs allow actual changes in the waqf property itself (Abdel Mohsin et al., 2016).

1. **Ziyadah (increase) and Nuqsan (decrease)**
   This stipulation gives the right to the founder to increase the share of one beneficiary and at the same time to decrease the share of another beneficiary. This is an important condition. If the founder created a waqf in order to distribute its revenue equally to a specific mosque and hospital, and if later he or the trustee realizes that the hospital needs more than 50 percent and the mosque needs less than 50 percent, they can, by virtue of this ziyadah/nuqsan stipulation, increase the share of the hospital up to 70 percent and decrease the share of the mosque to up to 30 percent.

2. **Idkal (addition) and Ikhraj (removal)**
   This condition gives the founder or the trustee the right to add a new beneficiary if he realizes the need to add a new beneficiary and at the same time remove another beneficiary. This stipulation also gives flexibility to the public waqf by removing a beneficiary whenever the founder ‘feels’ that there is another beneficiary who is in more need than the first. This means increased flexibility for public services too. For example, directing the revenue of the waqf from building a dam, once the dam is finished, to another important service, such as providing water or electricity supply according to the needs of society.
### Table 1.2  Ten stipulations for waqf creation and sustainability

<table>
<thead>
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</tr>
<tr>
<td>Idkal (addition) and Ikhraj (removal)</td>
<td>Gives the founder/the trustee the right to add a new beneficiary if he realizes the need and remove (ikhraj) the beneficiary</td>
</tr>
<tr>
<td>I’ta’ (granting) and hirman (dispossession)</td>
<td>Permits the founder/the trustee to grant all or a portion of his waqf revenue to whomever he chooses for a specified period and to hirman (dispossess) whomever he chooses</td>
</tr>
<tr>
<td>Taghyir (replacement) and tabdil (conversion)</td>
<td>Gives the founder the right to replace the use of waqf revenue (taghyir) or, instead of maintaining the waqf property, the founder can purchase other equipment (for example, surgical instruments for a needy hospital)</td>
</tr>
<tr>
<td>Istibdal (substitutions) and Ibdal (purchase)</td>
<td>Purchase of another property to replace (istibdal) the former waqf property and actual sale of non-profitable waqf property</td>
</tr>
</tbody>
</table>

(3) **I’ta’ (granting) and Hirman (dispossession)**

This stipulation permits the founder or trustee to grant all or a portion of his waqf revenue to whomever he chooses for a specified period and to dispossession whomever he chooses. For example, if the revenue of a certain waqf is directed to support a student at a certain university, the founder can grant a portion or all of that revenue to a needier beneficiary, such as to a patient at a certain hospital.

(4) **Taghyiy (replacement) and Tabdil (conversion)**

Taghyir gives the founder the right to put the waqf revenue to another preferred use, for example, instead of maintaining the waqf property, the founder can purchase other required equipment, such as surgical instruments for a needy hospital. Tabdil, in fact, gives the founder the right to change the waqf property itself. For example, if the founder creates agricultural land as a waqf, and after many years this land becomes unproductive, the taghir stipulation gives the founder the right to change its function and perhaps construct a house on it.

(5) **Istibdal (substitution) and Ibdal (exchange)**

Ibdal is the actual selling of non-profitable waqf property, while Istibdal is the purchase of another property to replace a waqf property. This is an extremely important stipulation, which can be applied by the founder or trustee, with the permission of the chief justice, even if the founder did not include it in his written deed. This stipulation gives the trustee the right to exchange an unprofitable waqf property with another property that is profitable. Table 1.2 simplifies these stipulations.
It is very important to inform new founders about these ten stipulations (particularly the first three) so that they would consider these in their waqf deeds, since, from the Islamic law perspective, if the founder does not include these stipulations in his deeds, the chief judge and the trustee, for example, cannot switch the distribution of waqf revenue to other beneficiaries. The last two stipulations can, however, be affected by the chief judge and trustee with or without prior stipulation by the founder. Hence, including them will give flexibility whenever the need arises within a society or whenever changes in the waqf properties are needed (Abdel Mohsin et al., 2016).

**Contemporary Waqf**

According to Islamic law, contemporary waqf can be classified as a new product (a form of liquid assets) in addition to existing traditional forms of waqf such as cash waqf, stock waqf, waqf *wakalah*, cooperative waqf, and hybrid waqf. Contemporary waqf can be expressed as representing the granting of ownership rights to some property that can be used, either in the form of interest or profit can be obtained; profits from real estate; waqf by users, waqf from family members (*waqf al-aulad*), and *waqf al nuqud* (cash waqf). Thus, in this context, contemporary waqf can be defined as current and according to the changes of the new era.

**Cash waqf**

Cash waqf, or cash endowment, is a form of liquid asset that can be channeled immediately towards certain investment objectives, and the dividends or capital gains derived can be utilized to meet the desired aims under the waqf charter. The cash waqf is usually formed where the pooled donations are used to build institutions, such as schools, hospitals, and orphanages. It is argued that a cash waqf can pool more resources and ensure a wider participation of individual donors.

Husin (2020) expresses that, historically, cash waqf was widely used and contributed considerably to social development during the Ottoman period, to such an extent that education, health care and community welfare were entirely financed by waqf. They further argued that cash waqf functioned mainly as a capital redistribution institution rather than a capital accumulation institution.

From the viewpoint of Deloitte Indonesia (2021), there are four different types of cash waqf that differ based on the motives or intentions of the *waqif*: donation or charity-based; reward-based; equity-based; and lending-based.

In other perspectives, Azganin et al. (2021) defined a cash waqf as a perpetual mobilization of funds from donors to be invested in productive assets that provide revenues or usufruct for future consumption while taking into consideration the guidelines and policies given by donors as well as recipients.
This is known as the conditions of *waqif* (*Shart al-Waqif* in Arabic). The most acceptable *waqif* is a cash *waqf*, which is an endowment of certain amounts of money for investment, as it is managed by a *waqf* manager (*Mutawalli*).

A cash *waqf*, which may be considered as movable property, has led to the innovation and enhancement of the *waqf* institutions globally. Versions of the concept have emerged in different countries, providing credible evidence of the opportunities that lay ahead in *waqf* innovation. Abdelfattah et al. (2021) state that cash *waqf* began in Sudan in 1990, followed by Malaysia, Indonesia, and Kuwait. These countries reinvigorate *waqf* activities through new schemes to match the needs of growing societies’ public services. Below are examples of direct cash *waqf* and deposit cash *waqf*.

(a) **Direct cash *waqf***

This is the most popular form of cash *waqf*. A noteworthy example in practice is what has been done in Singapore for the purpose of assisting orphans, Islamic schools, charity, and the burial of poor Muslims. Another example is the practice in New Zealand for similar groups of beneficiaries. Any dividends from a cash *waqf* are utilized for Islamic schools, marriage guidance, orphans and other social services for the expat Muslim communities living there. In India, cash *waqf* is used for those with disabilities, distribution of food during Ramadan, and general support of Muslim communities.

(b) **Deposit cash *waqf***

Selected Islamic banks in Malaysia provide a product facility for the collection of cash *waqf* through a deposit scheme. Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad and Maybank Islamic Berhad provide a deposit service for the collection of funds to redevelop old *waqf* properties. In Malaysia, a significant amount of old *waqf* assets comprise undeveloped lands. There is an urgency for the provision of financing from Islamic banks that would support the development of these assets so that they may finally provide the benefits as intended by the *waqif* (founder). An Islamic bank in Bangladesh also has similar schemes utilizing returns for socially responsible initiatives.

Up to now, the social goods and services typically financed by cash *waqf* have been in (i) education: schools, both religious and contemporary education; (ii) health sector: primary hospitals but may also include specialist hospitals, e.g., a cancer treatment and research hospital; (iii) orphanages and residential facilities for working women; (iv) interest-free financing for personal use or for setting up small businesses (microfinance); (v) public parks and other public amenities; and (vi) drinking water (Global Islamic Finance Report, 2015).

Thus, cash *waqf* helps society immensely, from providing basic facilities to the public, including social, health, environmental, education and infrastruc-
The concept of waqf

In devising their economic strategies, many signatory Muslim countries already use cash waqf to support community development in their respective countries and as a tool against poverty (Najim, 2021).

**Waqf shares – sukuk**

There are different terms between waqf shares and waqf of shares. Waqf shares refer to the creation of a waqf through the issuance of shares which are subsequently endowed as a waqf by the purchaser to the Majlis. For example, sukuk. Waqf of shares means the shares of a company or an enterprise or existing shares dedicated for waqf (Global Islamic Finance Report, 2015). The following part discusses the waqf shares in sukuk.

Initially, sukuk are Islamic bonds. The literal meaning of sukuk is certificates. Over the years, sukuk have progressively become the preferred choice for fundraising by public entities and private companies in many jurisdictions seeking a wider market for their funding needs. Due to the additional value-added of social benefits and Islamic principles incorporated into its structure as opposed to the typical conventional bond offering, sukuk would naturally appeal to a broader investor base.

The demand for sukuk comes from investors who seek Shariah-compliant investments such as takaful operators, Shariah-based unit trust funds, Islamic fund managers as well as non-Islamic institutions. The non-Islamic institutions view sukuk as a new asset class that fits their investment strategies and/or diversifies their portfolios, as the yields are competitive against similar conventional instruments. Since most sukuk are assessed and rated by rating agencies, investors could refer to the sukuk rating as a guideline to assess risk or return parameters of the sukuk issue. Sukuk offers a regular periodic income stream and a possibility of capital appreciation. They are also tradable and allow for easy liquidation, should there be a need for immediate cash.

According to The World Bank Group, INCEIF, and ISRA (2019), sukuk are one of the cash waqf channels developed to modernize waqf in this new era. Sukuk refer to investment certificates that represent ownership in underlying projects. The investors may receive profit or income from the cash flow generated from the assets or investment in the asset in the form of periodic distributions. The returns may be fixed or variable depending on the mechanisms applied. Sukuk are structured based on various Shariah contracts to create financial obligations and relationships between issuers and investors (Securities Commission Malaysia, 2014). This ownership may be directly linked to the underlying asset or to the securitized cash flows of the underlying project. The advantages of applying a sukuk structure include the fact that sukuk are generally rated, have significantly reduced risk and provide consistent returns to investors, similar to conventional bonds.
In general, sukuk could also be used to finance infrastructure projects that become an *awqaf* after the investors have been paid off. In addition, waqf institutions can opt to explore raising capital for the development of their waqf projects through the issuance of sukuk. Sukuk are a widely used instrument in the Islamic capital market to finance specific economic activities in accordance with Shariah principles. Sukuk have flexible characteristics in which they can be structured to meet the medium to long-term financing requirements. Thus, sukuk may be issued for various purposes to satisfy the issuer’s commercial needs, such as for the purpose of financing working capital and capital expenditure requirements, vis-à-vis the investors’ (sukukholders) investment and risk appetite.

**Wakalah waqf**

According to Securities Commission Malaysia (2014), wakalah means a contract where a party authorizes another party to act on behalf of the former, based on the agreed terms and conditions as long as he/she is alive.

Abdullah and Yaacob (2012) discuss that wakalah waqf is derived from the model to enhance the channel of takaful products. IGILife (2021) states that, generally, the wakalah waqf model operates through a waqf fund. The participants contribute their contributions on the basis of ‘*Taburru*’ into the waqf fund. The waqf fund is responsible for channeling the fund urgently (in emergency situations) to the needy. At this point, takaful claims are paid through waqf fund. The surplus in waqf fund (if any) is distributed amongst participants at the end of every year.

**Corporate waqf**

In general, according to Saad (2019), corporate waqf is formed to benefit from one of the six main objectives: business entities or corporations, banking and financial institutions, universities, foundations, cooperatives, and hospitals or clinics.

This section presents the definitions of corporate waqf through scholars’ views. First, Omar et al. (2018) exemplify corporate waqf as liquid money, shares, profit, and dividends that have been declared as waqf by the corporate sector with the aim of distributing the benefits derived from the stock dividend and the company’s annual profit. Saad (2019) mentions that, in some cases, the corporate waqf is the majority owner of a company and exercises managerial control, while in other cases the corporate waqf is the minority shareholder and exercises minority voting rights. In another view, corporate waqf is also known as contemporary waqf, and has been practiced in many countries, namely Turkey, Malaysia, India, Pakistan, and Bangladesh (Omar et al., 2018).

There are many types of corporate waqf that can be practiced. First, as mentioned by Saad (2019), there is the example of institutions whose asset
The concept of waqf

base is comprised of shares in a company and who hold some managerial roles in that company. The corporate waqf’s share in a company ranges from a minority percentage to complete ownership. The corporate waqf is established by a company’s founder, individual shareholders, or government entities. Governmental regulation ranges from exercising complete control over the waqf assets to providing limited oversight by the trustees to prevent managerial abuse. Some core features are consistently observed across the various corporate waqf: the perpetual nature of the foundation, divestment of ownership from the original shareholder, the management of the endowed shares by a not-for-profit entity, and the allocation of returns to a charitable foundation. Similarly, Jalil and Mohd Ramli (2014) state that the corporate entity will create its own waqf assets using its own assets. In this situation, the corporate entity is the waqf creator or ‘al-waqif’ itself. The waqf assets could be financial assets, such as cash or shares or non-financial assets such as buildings or lands. At the same time, the corporate entity nominates itself as the trustee who is responsible for managing, maintaining, and investing the waqf asset. This means that the corporate entity is also the ‘nazir’ or ‘mutawalli’ of the waqf asset.

Although different versions exist, Saad (2019) mentions that corporate waqf is most widely practiced in Turkey, Malaysia, India, Pakistan, and Oman. In Oman, for example, some private property developers assign a portion of the property, say 20 percent, for the purpose of waqf. This means that all rental from the assigned waqf would be channeled to the beneficiaries for educational scholarships, microfinance programs, and other initiatives.

The corporate waqf has its own legal rights and liabilities to carry out the jobs of the founder(s), as a trust, and to conduct a business on their behalf for either profit-seeking or not-for-profit in order to benefit society at large. In addition, due to its legal personality, once it is registered it will have a condition of limited liability. It is where the founders’ conditions need to be respected, fulfilled and controlled by a board of directors which was appointed by the founders (Abdel Mohsin, 2013).

Waqf can be translated as a unique form of endowment by a waqif (donor or endower) who gives up some of his personal assets (for example, in the form of cash) to benefit others forever or for a certain period of time in accordance with their interests.

WAQF IN ISLAMIC ECONOMIC DEVELOPMENT

Many believe that the waqf system is not a new affinity for modern Islamic economics. Since the eighth century, most Muslim-dominated states have provided a large scale of public goods to their respective countries. These widespread resources flow to the waqf and result in many services being financed
Islamic social finance

through waqf, including mosques, schools, hospitals, fountains, roads, parks, accommodations, bathhouses, orphanages, and soup kitchens. For instance, waqf’s services to big cities in the Middle East have been established for a long time. Waqf is a fundamental economic institution that generates economic activities while simultaneously ensuring benefits to a particular part of society (Budiman, 2014).

Cizakca (1998) states that this waqf system can contribute to the modern economy. Obviously, waqf is not part of government expenditure. Indeed, the waqf system has been applied to various essential services – such as health, education, municipalities, land, building, and many more, which have been made available in history at no cost to the government. This happened with individual or private sector involvement. The waqf system encourages individual or private sector participation via their voluntary actions and automatically reduces government involvement in the economy. The more waqf funds are collected for specific development projects that benefit the community, the less the government will be involved in particular projects (Ismail et al., 2021).

Waqf has played a particular function in the economic aspect and always has potential. Waqf could be regarded as a fundamental economic institution to generate economic activities while at the same time ensuring that the benefits will accrue to a certain part of society. In an economic sense, waqf could be defined as diverting funds and other resources from current consumption and investing them into productive and prospective assets that generate revenues for future consumption by individuals or society at large. Waqf is, therefore, a peculiar combination between the act of saving and the act of investing. It operates by taking specific resources off consumption and simultaneously putting them in the form of productive assets that increase capital accumulation in the economy. The waqf implies sacrificing a current consumption opportunity for the benevolent purpose of providing income and services for society and the following generations.

In line with the principle of perpetuity in waqf, a waqf asset may not be sold or disposed of. It should remain in the waqf domain perpetually. Should there be a new waqf, it will be added to that domain. Therefore, waqf assets will continually increase. At the same time, they are not permitted to decline due to the prohibition on consuming the assets of waqf or leaving them idle by any action or neglect or transgression. Hence, waqf is not only an investment, but it is a cumulative and increasing investment. This is supported by the historical development of Muslim lands. The extent of waqf properties was estimated to be over one-third of the agricultural land in several countries, including Turkey, Morocco, Egypt, and Syria. The dynamism of the waqf institution and its mechanism could bring about essential contributions to economic development at the present time.
The next chapter will explain how waqf can be practiced and implemented, and be sustained in contributing towards economic development.