



Waqf institutions have played a pivotal socio-economic role in the Islamic history and financed many of the welfare services for the betterment of communities. However, currently, a vast majority of *waqf* assets are hoarded in banks and in the form of unproductive land which is hampering the circulation of wealth from the rich to the poor. This is in contrast to the role of *waqf* as a platform for the recirculation of wealth in society.

As the inequality in the gap between the rich and poor has widened in the recent years, there has been a considerable increase in poverty, both in the developed and developing worlds. Therefore, there is a need to revitalise *waqf* in order to empower the socio-economy of marginalised communities and narrow the gap in wealth inequality between the rich and the poor.

This book goes back to the drawing book in order to provide insights into the fundamentals of *waqf* and uncover solutions from Islamic perspectives. It calls for investing *waqf* assets in social enterprise through good social entrepreneurship (SE) practices, and outlines the modus operadi of the *waqf*-SE model. This is the foundation of *waqf* as a social enterprise.

WAQF (ENDOWMENT)
A VEHICLE FOR ISLAMIC SOCIAL ENTREPRENEURSHIP

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by | THAMINA ANWAR

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Best Islamic Finance
Publishing House
2015 & 2016



Published in collaboration with



First published by
Islamic Banking & Finance Institute Malaysia (IBFIM) (763075-W)
3rd Floor, Menara Takāful Malaysia,
No. 4, Jalan Sultan Sulaiman,
50000 Kuala Lumpur, Malaysia.
Tel: 603-2031 1010 Fax: 603-2031 4250
www.ibfim.com

First Edition 2017
Text © Thamina Anwar
Publishing © IBFIM 2017

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Publication Manager: Mohd. Zain Abd. Rahman

Perpustakaan Negara Malaysia

Cataloguing-in-Publication Data

The copyright of this book belongs to Dr. Thamina Anwar. Please reference this book in this format:

Anwar, T. (2017). *Waqf (Endowment): A Vehicle for Islamic Social Entrepreneurship (first)*. Kuala Lumpur, Malaysia: IBFIM (Islamic Banking and Finance Institute Malaysia)

p.
Includes bibliographical references and index.
ISBN 978-967-0149-86-8

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Printed in Malaysia by
PERCETAKAN MESBAH SDN BHD (819193-K)
No. 11, Jalan Tun Perak 6, Taman Tun Perak,
43200 Cheras, Selangor Darul Ehsan
Tel: 03-91056473 / 91056469; Fax: 03-91056469

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Chapter One

INTRODUCTION: SETTING THE SCENE

*With your food basket and my food basket
The people will thrive.*

— **New Zealand Maori Proverb**

1. INTRODUCTION

Societal challenges such as poverty and inequality are global issues where the financial and economic development of a country does not reflect the well-being of the poor. A large part of the world's population is deprived of employment, the right to work, an adequate standard of living, healthcare and education, triggering poverty, which remains one of the biggest challenges to socio-economic development in developing countries. In the wake of the Global Financial Crisis (GFC), there is considerable rise in poverty, even in the developed Western countries primarily caused by large unemployment.

Unsustainable economic growth is causing 'ripple effects' and many countries are struggling from the consequences of the effects of unendurable economic growth on the climate, communities and natural resources. Detrimental environmental disturbances and degradation

particularly caused by the excessive consumption of resources, the destruction of ecosystems and the extinction of wildlife are affecting the sustainability of the planet's resources for future generations.

With the widening of inequality, the cost of the basic necessities of life has increased significantly and these have become out of reach for many. The above, coupled with large-scale environmental devastation to the planet calls for rethinking the paradigm on which the present day economic principles are designed.

Despite a plethora of theoretical concepts, round table discussions, research, media debates and practical initiatives on sustainable socio-economic issues, which are mostly based on the conventional point of view, policy makers and economists still remain in the dark and have not been able to unveil solutions to major social challenges to humanity pertaining to poverty, community empowerment, sustainability and social injustice.

Past experiences have not lived up to promised expectations of solving socio-economic issues due to many issues. Firstly, due to the unbalanced focus on economic growth instead of community development and empowerment. Secondly, considerations are not given to factors affecting sustainability and moral integrity of economic systems and methods of including marginalised people in the economic pie. Thirdly, the economic systems have been modelled on individualistic rationale combined with private self-interest agendas whereby financial returns are given priority at the expense of social goals. It has been widely accepted that over emphasis on financial returns undermines the integrity of activities as a whole as well as the financial sustainability of communities.

Shifting the focus to the Muslim world, it can be observed that despite many Muslim countries having an abundance of natural, economic and human capital resources and although the Islamic doctrine emphasises the circulation of *māl* (wealth), particularly the surplus from the rich to the poor in order to provide a fairer economic system, “*mass poverty is known to be widely spread in the Islamic world*”.¹

2. SOCIO-ECONOMIC INSTRUMENTS FROM AN ISLAMIC VIEWPOINTS

It is known that the historical origin of philanthropic endowments is much older than Islam.² Pre-Islamic Arabs were knowledgeable regarding philanthropy endowments and “*it is most likely that Islam may have been influenced by earlier civilizations*”.³

Islamic teachings provide tools and mechanisms for fair and just circulation of *māl*. Looking back at Islamic history, we learn that the era between 717 CE and 720 CE is known as the Economic Golden Age under Caliph ‘Umar bin Abdul ‘Azīz. This was the period when the collection of *zakāh* (mandatory alms) was so efficient and effective that people would go to the *sūq* (market) looking for needy people to distribute the *zakāh* and would not find any.⁴

¹ Zeinelabdin, A.R. (1996), “Poverty in OIC Countries: Status, Determinants and Agenda for Action”, *Journal of Economic Cooperation Among Islamic Countries*, 17(3), p. 2.

² Although the origin of *waqf* is pre-Islamic, Islam regulated and structured the *waqf* legal system.

³ Cizakca, M. (2000), *A History of Philanthropic Foundations: The Islamic World from the Seventh Century to the Present*. Turkey: Bogazici University Press.

⁴ Stibbard, P., Russell, D. and Bromley, B. (2012), “Understanding the Waqf in the World of the Trust”, *Trust Trustees*, 18(8), pp. 785-810.

Islamic socio-economic institutions such as *zakāh*, *waqf* (endowment) and other Islamic philanthropic mechanisms are designed to create a well-balanced economic system which is fair and just to society. These instruments and approaches are designed for the sustainable socio-economic advancement of a society and cover allocation, production, circulation and re-circulation of resources.

The above discussions highlight that a study on solving societal challenges is essential for the advancement of societies and has beneficial potentials. Bakar claims that the GFC has caused many Muslims to search for alternative economic and financial systems in the quest to find solutions as a '*societal salvation*'.⁵ He claims, metaphorically that the solutions offered by the current Islamic financial institutions (IFIs) are merely addressing the symptoms rather than treating the underlying causes. The contemporary IFIs have replicated the Western capitalism mind-set and are architected on the foundation blocks of the Western conventional system which is widely blamed for financial instability and ignoring communal interest and the common good.

So, the question then arises as to whether Muslims need their own economic models and solutions for solving the present day socio-economic issues or is it sufficient to just adapt and modify conventional Western models and implement them for the Muslim population?

Islam indeed provides the inner resources from the spiritual, religious and epistemological viewpoints required to cater for institutions which can provide justice for human

⁵ In this context, '*societal salvation*' means a society's state of health and wellbeing which is deemed necessary and sufficient for ordinary human beings or average citizens to attain his/her posthumous salvation. See Bakar, O. (2010), "Economics as Science: Insights from Classical Muslim Classifications of the Sciences", *Pluto Journals*, 1(3), p. 425.

beings. Islam has its own economic system which provides instruments and unconventional approaches which can lead to poverty reduction and reduce *māl* (wealth) inequality.⁶ Islamic teachings based on the *Qur'ān*, *ḥadīth* (Prophetic traditions) and *sunnah* (the way of life prescribed as normative for Muslims on the basis of the teachings and practices of Prophet Muhammad (peace be upon him)), lay down the pathway and foundation for a fair and just economic infrastructure of the Islamic civilization. Therefore, this book is aimed at formulating solutions pertaining to the societal challenges and socio-economic issues from an Islamic perspective, particularly from the Islamic sources. This book seeks to contribute to the growing body of knowledge on *waqf* and social entrepreneurship (SE) from an Islamic perspective.

Based on the author's own doctoral dissertation entitled *Islamic Gift Economy: Waqf (Endowment), a Vehicle for Social Entrepreneurship in Muslim Minority Countries (The Case of Australian, New Zealand and South Africa)*, submitted in 2015,⁷ this book attempts to explore how *waqf* can be a vehicle for SE and apply the practices of SE, particularly in terms of investment of the *waqf* funds, focused on community empowerment, poverty alleviation, social justice and sustainability. This book is intended to make an original contribution to the field of Islamic Social Entrepreneurship (ISE) and create an impact in the following manner:

Firstly, in order to find solutions for the current economic and financial societal challenges from an Islamic

⁶ Mohieldin, M. [et.al.] (2012), "The Role of Islamic Finance in Enhancing Financial Inclusion in Organization of Islamic Cooperation (OIC) Countries", *Islamic Economic Studies*, 20(2), pp. 55-120.

⁷ Submitted to and accepted by KwalaZulu Natal University under the supervision of Prof. Suleiman Dangor and Dr Adi Setia.

perspective, it is paramount to go back to the drawing board and explore solutions from the fundamental teachings of Islam. This book aims to demonstrate that SE is not a new economic and financial phenomenon in the Islamic worldview by exploring Islamic sources.

Secondly, although the concept of SE from the Western experience and SE from Islamic perspectives stem from totally different pathways, on examining both the concepts, it is found that both share certain similarities in terms of values and principles such as social values, solidarity, community empowerment, social justice, sustainability, poverty alleviation, entrepreneurship, common good, communal interest, profit generation, circulation of surplus, and so forth. However, one important dimension in finding solutions from an Islamic perspective which differentiates it from the Western perspective is the source of knowledge. Unlike the SE from the Western experience, the foundation of ISE is based on *maqāsid al-sharī'ah* (the higher objectives and intents of Islamic law), *fiqh al-ibādah* (Islamic jurisprudence on ritual devotion), *fiqh al-mu'āmalah* (Islamic jurisprudence on commercial and social transaction), the creed of *tawhīd* (unity), notion of *māl* in Islam, Islamic Gift Economy (IGE), structure of *sūq* during the era of Prophet Muḥammad (peace be upon him) and Ibn Khaldūn's concept of *'aṣabiyyah* (social cohesion). All the above is a melting pot of different yet related Islamic concepts that can contribute towards the notion of *waqf* as a vehicle for SE.

Thirdly, this book is intended to unveil a new avenue for *waqf* investment by designing the *waqf*-SE model. The rationale behind the *waqf*-SE endowment investment model is to improve the well-being, sustainability and economic performance of the communities by engaging in SE practices

and circulating the *māl*. It is aimed at self-reliance through provisioning for earnings and livelihood.

3. OUTLINE OF THE BOOK

Considering the above issues, the author has divided the focus of this book into three parts, consisting of seven chapters, as exhibited in 'Figure 1: Layout of Chapters' (p. 10). The author has not included four chapters from her doctoral dissertation that are related to research and research findings in this book. The reason for this is because this book is designed to give a theoretical background to *waqf*, ISE and *waqf*-SE model. It is anticipated that the author will write another book designed for the practical implementation of the *waqf*-SE model for *waqf* and ISE practitioners where she will include the research results and related information.

Part One: consists of setting the roadmap of this book and consists of one chapter as follows.

Chapter One: In the introductory chapter, the author provides the background to the societal challenges and the importance of research in the topics of *waqf* and ISE, in order to explore solutions to resolve the issues. The outline of the book is laid down in this chapter.

Part Two: In this part, a synthesis is first provided of existing literature in order to present insights on the theme of *waqf* and SE from both the Western experience and

Islamic perspective. The aim of the literature review is to investigate existing information on the theme in order to identify gaps in the research. Additionally, the purpose of this exercise is also to illustrate relationships between theories and to provide a conceptual framework for this study. This part is composed of four chapters as detailed below.

3.1 The *Waqf* Institution

Since the dawn of Islam, Islamic philanthropy has proliferated globally in parallel to the spread of Islam. One such philanthropic institution is *waqf*, which is instrumental in funding sophisticated community empowerment initiatives, and has the potential of solving many of the present day challenges such as poverty, sustainability and social justice.

The institution of *waqf* has played a pivotal role in fulfilling most of the community and social service needs. For centuries, *waqf* institutions stood strong as financially self-sustainable voluntary charitable public institutions that were legally irreversible and semi-autonomous in their administrative structure.⁸ The endowment provided a platform through which various public welfare services were provided to communities and was solely focused on the common good.

Waqf is designed for the socio-economic development of both the Muslim and non-Muslim communities. It is a

⁸ Argun, A. (2013), *Elite Configurations and Clusters of Power: The Ulema, Waqf, and Ottoman State (1789-1839)*, unpublished doctoral dissertation, Institute of Islamic Studies, McGill University, Montréal.

system for financing community development.⁹ *Waqf* provides a socio-economic system whereby the endowed capital is preserved in perpetuity while the income generated from investing the bequeathed capital is used as a perpetual donation for the designated beneficiaries.

Both Kahf¹⁰ and Kuran¹¹ have argued that the unique *waqf* characteristic of perpetuity has hampered the growth of *waqf* due to its lack of flexibility and inefficient utilization of resources. However, many scholars like Lev¹² have emphasised that the permanent nature of *waqf* coupled with the perpetuity legally privileged in *waqf* and thereby perpetual benefits, makes *waqf* a much superior form of charity.

Chapter Two presents a literature review of *waqf*, providing an overview of *waqf*. It also gives an understanding of charity and philanthropy in Islam. This chapter showcases the historical journey of *waqf* institutions and how *waqf* institutions flourished during the Ottoman era, including women's contribution towards *waqf*. Divergences from Islamic teachings and corruption of *waqf* are also presented together with brief details of the challenges faced by *waqf* organisations presently during the recent revival of *waqf* in Muslim majority countries and introduction of *waqf* in Muslim minority countries.

⁹ Hodgson, M. G. S. (1974), *The Venture of Islam: Conscience and History in a World Civilisation*, Chicago: The University of Chicago Press.

¹⁰ See Kahf, M. (1995), "Waqf", *Oxford Encyclopedia of Modern Islamic World*, 4, pp. 312-313; and Kahf, M. (1998), "Financing the Development of Waqf Property", in *Development of Awqaf*, organised by IRTI, March 2 -4, 1998, Kuala Lumpur, Malaysia.

¹¹ Kuran, T. (2004), "Why the Middle East is Economically Underdeveloped: Historical Mechanism of Institutional Stagnation", *The Journal of Economic Perspectives*, 18(3), pp. 71-90.

¹² Lev, Y. (2005), *Charity Endowments and Charitable Institutions in Medieval Islam*, Florida: University Press of Florida.

3.2 Social Entrepreneurship in the Western Experience

In the West, social entrepreneurship (SE) has been identified as an essential economic platform to solve many of the world's socio-economic problems. It is increasingly taking a critical role in improving welfare and promoting the overall development of society by providing social goods and services that governments often fail to provide, in both developing and developed countries. Developing countries have embraced SE practices, with many noticeable SE innovations that have blossomed,¹³ such as the provision of low-cost cataract surgeries, sanitary facilities in rural areas,¹⁴ microcredit, housing and so forth.

Chapter Three is designed to provide a literature review of SE in the Western experience, concentrating on the origin of social enterprise, the social enterprise sectors and continuum, the characteristics of social enterprise, the characteristics of social entrepreneurs, the myriad of meanings of SE, the characteristics and stimulants of SE, collaboration triggering SE, the social impact approaches and strategies through SE, locating sustainability in SE, community empowerment using SE practices, sustainable community empowerment, locating poverty alleviation in SE, locating social justice in SE, and the global trend lines for the growth of social enterprise.

¹³ Seelos, C. and Mair, J. (2005), "Social Entrepreneurship: Creating New Business Models to Serve the Poor", *Business Horizons*, 48(3), pp. 241-246.

¹⁴ Santos, F. (2009), *A Positive Theory of Social Entrepreneurship* (No. 2009/23).

3.3 Social Entrepreneurship in the Islamic Worldview

Social entrepreneurship (SE) from the Islamic viewpoint is not new and has strong foundations in the teachings of Islam. Islam has a rich culture and tradition of giving and the majority of domains of exchange were voluntary, devotional and communal. This can be demonstrated from the history of Islamic economics, especially from the concepts of *waqf*, *waṣīyah* (bequest), *ṣadaqah*, *hibah/hadiyyah* (gift), *zakāh*, *qarḍ ḥasan* (goodly personal loan) and *farā'id* (estate division).

Chapter Four presents SE from Islamic perspectives and provides the foundations of ISE. It includes topics such as *maqāsid al-sharī'ah*, *fiqh al-'ibādah*, *fiqh al-mu'āmalah*, the creed of *tawḥīd* and notion of *māl* in Islam. Additionally, this chapter introduces the topic of IGE and the structure of *sūq* during the era of Prophet Muḥammad (peace be upon him). The concept of IGE shifts the paradigm in human behaviour and attitude in relation to the values, norms and beliefs regarding *māl* and embeds the concept of mutual giving and sharing based on Islamic doctrine. This concept forms the essential foundations of the ISE framework.

3.4 The Path towards a Conceptual Islamic Social Entrepreneurship Framework

Chapter Five is the continuation of chapter 4 on the Islamic perspectives of SE. Chapter five focuses on Ibn Khaldūn's concept of *'aṣabiyyah*. The argument for applying Ibn Khaldūn's concept of *'aṣabiyyah* to ISE is that both

'*aṣabiyyah* and ISE promote positive values and norms such as the sense of belonging, teamwork, cooperation and trust, all encapsulated within the religious teachings of Islam which are the core of the foundations of ISE. Ibn Khaldun's concept of '*aṣabiyyah* highlights the sense of social solidarity and cohesion.

Ibn Khaldūn's work can be used as the basis of Islamic perspective of SE as the notion of *aṣabiyyah* is deeply rooted in community empowerment, social justice, sustainability and poverty alleviation, which can provide an efficient and effective mechanism to create both social impact and profit. In order to reflect on the concept of '*aṣabiyyah*, it is essential to gain insights on the foundations of '*aṣabiyyah*, especially in terms of the application of '*aṣabiyyah* for social development, and the role of '*aṣabiyyah* in providing an environment of support fostering a strong bond between members of groups.

Chapter Five introduces the conceptual ISE framework by consolidating all the concepts and theories presented in chapter 4 and adding on Ibn Khaldūn's concept of '*aṣabiyyah*. Therefore, ISE framework is formulated based on the teachings of *maqāṣid al-sharī'ah*, *fiqh al-ibādah*, *mu'āmalah*, the creed of *tawhīd*, Islamic concept of *māl*, IGE and Ibn Khaldūn's concept of '*aṣabiyyah*. Towards the end of chapter five, the author presents the topics of provisioning of earnings and livelihood and *sūq* structure which are pivotal in providing an economic framework of common good.

Part Three: The focus of this part is to discuss the *waqf*-SE endowment investment model and the concluding issues

presented in this book. Part three consists of two chapters as described below.

3.5 Engaging SE into waqf: The Waqf- Social Entrepreneurship Model

Many *waqf* institutions face the paradox of having enormous *māl* but are not even able to meet their own maintenance expenses. Large amounts of cash and assets are invested in *waqf* institutions, globally, but the majority of the assets are hoarded in investments that do not even generate enough money for the financial sustainability of the *waqf* institution and have been unproductive in mobilising resources for socio-economic development and distribution to the designated beneficiaries. There are many *waqf* properties around the globe which have been left neglected and even abandoned.

The *waqf*-SE model provides a mechanism to invest in ventures that provide both social impact and profit.

Chapter Six unveils the *waqf*-SE investment model, the *waqf*-SE framework, the *waqf*-SE model investment approach and the *modus operandi* of the *waqf*-SE. This chapter also touches on the topic of balancing social impact and profit making, risk mitigation and rearticulates the definition of *waqf*.

Chapter Seven is the last chapter, which summarises the key points in this book.

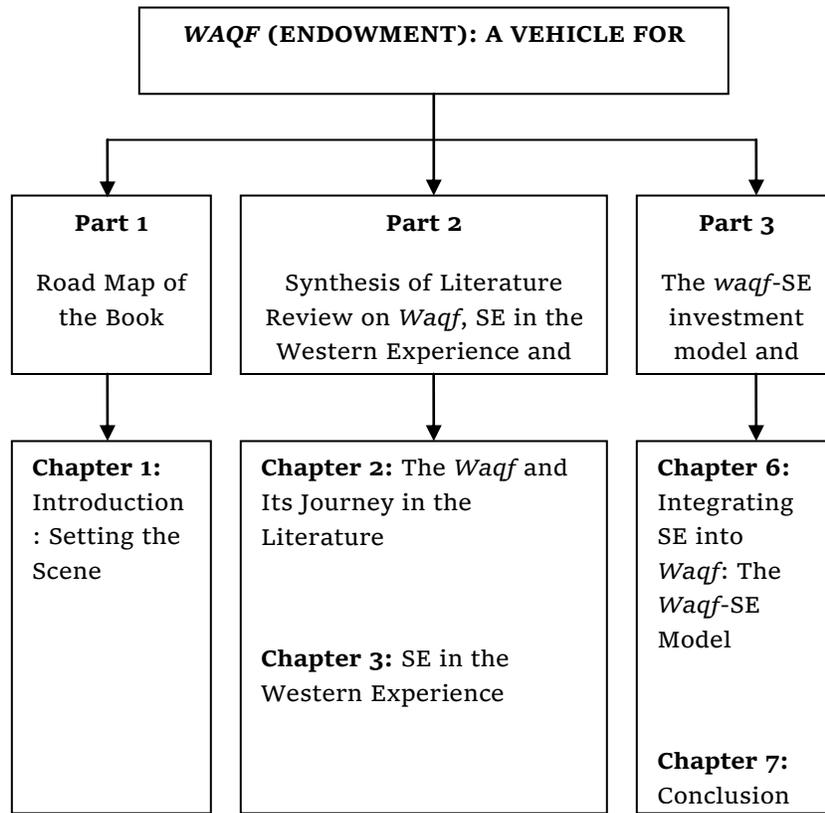


Figure 1: Layout of Chapters

Bibliography