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The Role of Waqf in Economic Sustainability and Poverty Reduction

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Abstract

Waqf is one of the basics of giving in Islamic Economic system. It is a voluntary offering which has exclusive manifestation in Islam. Waqf institutions in the world have played a significant role in economic sustainability development in order to benefit society. It has proven that conventional economic programs are not succeed in reducing poverty and income inequality as a whole. Looking at this study perspective, Waqf can be one of the vigorous alternatives to solve the economics challenges as provided by Waqf institutions around the world. This paper focuses to assess the role of Waqf in economic sustainability development and reducing poverty. To achieve the objectives, basic qualitative research method was adopted, and data was collected through relevant literature. The findings of this paper show that Waqf is considered as an alternative tool that can largely improve the social welfare, income inequality and reduce the poverty rate and at the same time lower the burden and liability of the people. The findings also show that there is need for consideration and the development of Waqf in order to find sustainable solution for the economic development.

Key-words: Waqf, Economic Sustainability Development, Poverty Alleviation

Introduction

Waqf is an Arabic word which literally means, “Hold, confinement or prohibition”. Technically waqf means holding specific property and preserving it for restricted benefit or philanthropy and prohibiting any use of it outside it specific objective (Kahf, 2003). Waqf is an important tool in the Islamic socio-economic system. It played a significant role all through Islamic history. History has recorded that waqf institutions have provide social welfare services in many places around the world (Sadeq, 2002). The formation of waqf institutions all over the Muslim world was indeed the result of kindness and act of religious observance towards God and it resulted in economic sustainability and poverty reduction (Khan, 2014). poverty is commonly understood to exist when people lack the means to satisfy their basic needs (Brown, Ravallion, and Walle, 2016). Practically, poverty reduction refers to a set of economic and humanitarian measures

taken by authorities, corporate organizations and non-governmental organizations (NGOs) in order to remove people from the yoke of poverty permanently (Bhalla and Lapeyre, 2016). This paper aimed at examining the role of waqf in economic sustainability development and poverty reduction, particularly how it can be a primary provider of public goods and services. This study aims to create more understanding in the exclusive role of waqf in sustainability development and poverty alleviation, which is considered to be a philanthropy investment in this world and hereafter.

Waqf from Shari'ah Perspectives

Waqf is an Arabic word which literally means, "Hold, confinement or prohibition". Technically waqf means holding specific property and preserving it for restricted benefit or philanthropy and prohibiting any use of it outside its specific objective (Kahf, 2003). Charitable acts have been practiced by earlier Mesopotamia, Greece and Rome, there was no comprehensive legislation governing charitable endowments like the Islamic control on waqf (Yaacob, 2013). Even though there is not a single verse in the Qur'an that deals specifically with waqf, Islamic scholars and jurists have agreed that a few of the following verses are to be referred to as the source of waqf (Arraqeb, 2015). Allah (SWT) says,

"By no means shall ye attain righteousness unless ye give (freely) of that which ye love; and whatever ye give, of a truth God knoweth it well".

(Surah Al-Baqarah: 3,92).

The verse shows that Muslims will not be rewarded with goodness on anything they offer unless they are agreeable to give the best to others. The gift must be of worth and which is useful to the giver. The clear example of the worth of a gift may be learnt from the history of the sons of Prophet Adam (AS), one organized sacrifice or qurban in the name of Allah (SWT). One gave some defective sacrifices or qurban and was rejected, whereas the other gave the most healthy and beloved animals and was accepted by Allah (SWT). Muslims should give anything that is worthy, useful and valuable to achieve the pleasure of Allah (SWT). However, Islamic Shari'ah considers waqf as an important social framework that can connect the prospective of selfless charitable given in an active way for better economic impact in society. A donation in the form of waqf is considered an act of charity that can be considered as *Sadaqah Al-jāriyah* (ongoing charity) (Zuki, 2012). For example, ongoing charity can be in the form of donated public buildings, accommodation, mosques, and canals, etc. (Kahf, 2003). Under waqf, the giver dedicates an asset (movable or immovable) for permanent societal benefit. The beneficiaries enjoy its income perpetually. In the modern application of waqf, it can be established either by dedicating real estate, furniture or fixtures, other movable assets and liquid forms of money and wealth like cash and shares in order to improve the wellbeing of people. With this it can be comprehended that waqf in Shari'ah refers to any useful property, or money that someone will detain in charity for the sake of Allah.

The characteristic of waqf has an exceptional kind of magnanimity in its execution that must be considered. First, perpetuity, once a property is dedicated as waqf it remains waqf

constantly. There is no room for the management to change or eliminate it except for a concrete reason. Second, stability of specification of the founder, the condition or specification of waqf founder must be fulfilled as long as the conditions did not violate or contradict any of the Islamic Shari`ah guides. This includes all the income and revenue generated by waqf should be used in accordance with the specification and stipulation of the waqf founder (Haqueel, 2011).

Management of Waqf Property is one of the extremely great important factor in the success of waqf as a tool for poverty alleviation. Any organization or institution that lack proper management is simply to breakdown. To achieve the success in waqf proper step majors must be taken. First, assigning religious person as manager or Mutawalli. Religious person has a dutiful spirit of admiration for God or an earnest wish to fulfill religious obligations. Selection of religious person will help to achieve success. Secondly, Proper record of waqf property. In some Muslim countries waqf property have been abandoned and left without proper record and some has gone missing (Ihsan & Ibrahim, 2011). Having good records will help the founder monitor the progress. Records can show whether there is improvement or not, which type or part of waqf should be giving priority, or what changes you need to make. Good records can increase the likelihood of success. Thirdly, accounting of waqf property. Accounting of waqf property helps the management to be able to ascertain the financial position of the institution, such as; profit, lost and incomes, liabilities and assets, etc.

Social Economic Sustainability

The principle of “Economic sustainable development” in conventional system originates from economics discipline that has been existing for about two centuries (Basiago, 1999). The term economic sustainability refers to a system of production that satisfies present consumption levels without compromising future needs (Adams, 2006; Basiago, 1999). With good economic agendas, sustainability in economy is going to be achieved if the wellbeing of society is sustained over a period of time. The perception of wellbeing is fundamental to the economic interpretation of sustainability. Nevertheless, some economic models, use income or consumption of goods and services that have a visible economic value (market goods and services) as an indicator of wellbeing. This generally dismisses the non-market outcomes that contribute to wellbeing for example, utility that is derived from leisure activities, voluntary work, or social interactions supported by several forms of social capital (Markulev and Long, 2013).

However, in Islamic economic system all lawful acts like social interactions supported by several forms of social capital, voluntary work or charitable endowment are all parts of wellbeing that is accepted in Islam. In the case of Malaysia, the idea of implementation a good governance framework in maintaining the management of Waqf is an absolute imperative especially is the authorities are to gain and reinforce stakeholders’ trust and confidence. This can help to ensure the social economic sustainability in waqf has a bigger role in Islamic social finance and the social economy as a whole (Shah, 2018). The establishment if the action in improving the social wellbeing of the people, waqf has become the main component that directed the responsible of individuals and organizations collectively to create a surrounding and good environment of giving

that can enlighten trust among stakeholders' in the waqf ecosystem to ensure its long-term sustainability.

Role of Waqf in Economic Sustainability Development and Poverty Reduction

Poverty is a universal phenomenon. Many people in the world living in the low income and terrible poverty. There are so many ways established by Islam to handle poverty problem in society. The best way is through charitable act which significantly played a dynamic role in alleviating poverty in many Islamic countries. Waqf is one of the long-lasting forms of charity established by Islam to alleviate poverty. To alleviate poverty in a society through waqf some of the following steps must be followed: Financing entrepreneur. Entrepreneurship is a process of innovation in the search of economic goals. Providing source of financing entrepreneurship to those poor or less privilege who are restricted from accessing external finance will easily enhance the poor to be able to be self-reliant. A business entrepreneur is a great achiever with instinct and essential ability to gather wealth and to create economic success (Cooney, 2007; Wellington & Zandvakili, 2006) These are achieved with some amount of risk-taking. Lending money to SME as *qard hasan*. The term *qard hasan* literally means "good loan". Technically, it is an interest-free loan of a monetary kind.

The fundamental principles *qard hasan* in Islam is to place great emphasis on social justice, inclusion, and sharing of resources between the rich and the poor. One of the major objectives of Islamic finance is absolute prohibition of interest in lending transactions. The prohibition involves prohibition of any debt or loan which brings a monetary reward secured to the time of lending. Therefore, *Qard* is permissible and is highly recommended with an assurance to pay back the same amount received without any interest or return or charge. The primary objective of *Qard-al-hasan* is to assist poor become part of economic activities in an honorable and effective manner. Since the poor do not have any substantial collateral, social capital is the only collateral for extending such credit. This also provides an incentive to poor to perform and be able to have access to such credit in the future. Figure 1 shows how waqf sustain economy and alleviate poverty.

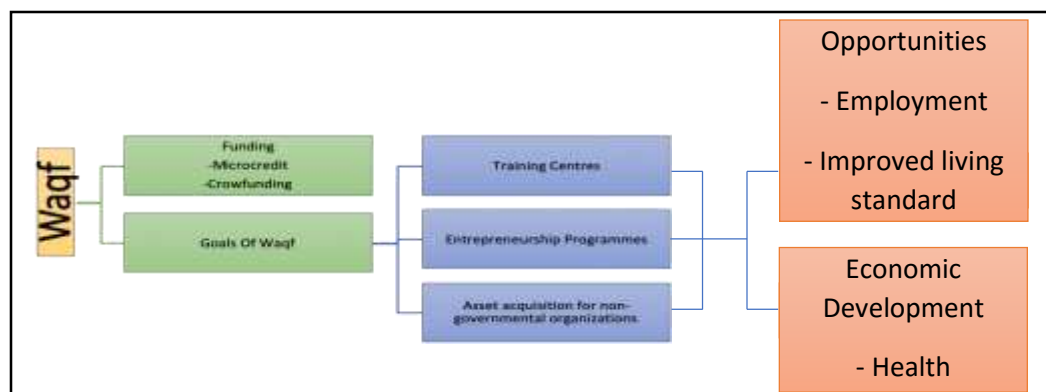


Figure 1. Waqf Flow on Economic Sustainability & Poverty Alleviation

Figure 1 shows the process of waqf practice is affecting or influencing economic development. WAQF creates funding through microcredit, cash, property, and crowdfunding. These funding are thereafter used to achieve the goals of waqf that are tailored towards economic development. The funding from waqf is used to build vocational training centers, entrepreneurship programs, asset acquisition. Moreover, these goals when implemented will result in employment opportunities, improved living standards, workable social security services, and societal wellbeing. These factors and opportunities in turn result in economic development. There is a bi-directional flow or relationship between waqf practices and economic development. Good institutionalization of waqf will result in Economic development while economic development also positively influences waqf practices. For examples, when more people are gainfully employed and engaged, waqf finance tends to increase significantly. Thus, increasing individuals' access to finance and the creation of more economic opportunities for sustainable development.

Conclusion

From the above discussion, it can conclude that waqf brings the functions of generosity to reach out all areas of social welfare sectors. Essentially, waqf can provide funding to improve economic sustainability development of and poverty alleviation. The proper management of waqf property will significantly help in stabilizing economy through financing entrepreneur, small and medium scale enterprise and other economic activities. Dynamic investment in waqf from the public and the correct implementation and management of waqf property can indeed be the solution or the way to alleviate poverty.

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