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## Social Entrepreneurship and Waqf: Potential in Strengthening the Economy of Muslims

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### Abstract

The purpose of this paper is to add knowledge in the existing body of literature on this area by discussing how waqf can be a potential tool to contribute in Muslim's economy in Malaysia. In addition, we also know that social entrepreneurship is a good element in overcoming the issue of poverty and unemployment. Therefore, this combination of waqf and social entrepreneurship can play the best role in helping to develop the community and the country. This article applies qualitative methods by using secondary data sources in online databases and library studies through document analysis. The findings show that waqf and social entrepreneurship has great potential as a tool for socio-economic development for Muslims. In particular, it is also able to overcome the problem of poverty and unemployment in Malaysia.

**Keywords:** Social Entrepreneurship, Waqf, Economy, Muslim, Poverty

### Introduction

Islam is a religion that always protects the welfare and well-being of Muslims. It's includes social life, security, economic and so on. Islam lays down guidelines in every journey of life, so that we do not stray from the path of life as a true Muslim. The proof of devotion to Allah SWT is by performing the Pillars of Islam that is through acts of worship such as syahadah, prayer, fasting, zakat and hajj. Apart from devotion to Allah SWT through these practices, Islam also encourages people, to do charity deeds to get closer to the Creator (taqarrub ilallah). In addition, this charity also functions as a guarantee to the socio-economy of fellow Muslims. Regarding this charity, it is divided into several types including infaq, donation and waqf. The law for this practice is sunnah but it's highly encouraged in Islam. Waqf, for example, has a significant impact on the recipient through permanent contracts and give continuous rewards and benefits for the giver (Ghafar, 2009). Thus, this article will discuss and study the practice of waqf in detail, as well as relate the elements of social entrepreneurship in Islam.

### **Definition and History of Waqf's Development**

The practice of waqf is an act of worship based on property (Don, 2019) and also in the form of charity (Rahman, 2009). In terms of language, waqf means to stop, contain, or to preserve (Yayasan Wakaf Malaysia, t.t). According to PMWP (2019), waqf is a practice by handing over some of the property owned for the benefit of the community in order to get closer to Allah SWT. It decides all forms of rights and control of the waqf on the endowed property. The property to be endowed must be clearly owned and can also be utilized. Similarly, the property must be physically permanent. Based on history, the practice of waqf has long occurred in line with the development and preaching of Islam. According to Karim (2016), the first waqf that took place was when Rasulullah SWT arrived in Madinah. He bought land belonging to orphan worth 800 dinars, then built the Masjid Nabawi on the land. The next story of waqf history, Umar al-Khattab who owned farmland in Khibar has endowed many crops. Similarly, Rasulullah's companion, Uthman bin Affan, acted to buy a well belonging to a Jew to be used by the public. Following the events of waqf in the time of the Prophet and his companions, the practice of waqf is growing all over the world to become a catalyst for the construction of civilization and development of a country (Mahmood et al., 2017). In Malaysia, the history of waqf began in Terengganu in the 13th century through the development of educational institutions. Followed by Penang in 1801 with the construction of the Masjid Kapitan as the first waqf's practice. Next in Johor in 1911, Perak 1951 and then other states (Tanjung, 2019).

### **The Concept of Waqf**

Waqf is a practice that is considered capable of being a socio-economic guarantee of the global community, especially the Muslims. According to Karim (2016), waqf is a tabarru'at contract that provides space to invest property by helping in raising the standard of living and generating wealth assets of Muslims. This is evidenced by the development of the Turkish state and the rise of earlier civilizations as a result of waqf instruments managed and administered effectively and efficiently (Mahmood et al., 2017). Waqf consists of several principles that need to be followed as a guide. The principles are included waqf capital needs to be maintained, elasticity in the distribution of benefits and taqarrub or getting closer to Allah (Don, 2019). According to Ikrimah (2008); Khoerudin (2018) waqf covers two main purposes, namely general and specific. In short, the general purpose is related to social functions such as social assistance, education and culture. While in particular are religious elements such as reward and taqarrub, family motivation and community relations. Today, various waqf models have been introduced to the community aimed at encouraging the Muslim community to practice waqf and increase waqf funds. These waqf models are physical asset models consisting of land, buildings and others. For example, the Malacca Islamic Religious Council (MAIM) built flats and shop lots for the convenience of the asnaf. The second is the corporate waqf model for example in the form of shares as implemented by Jcorp and the third is the cash waqf model which is the delivery of property in the form of cash to the nazir or instituiton of waqf (Ramli, 2019). In the meantime there are also investment instruments that aim to generate waqf funds. According to Dahlan, Ramli, Hashim, Ismon, & Romli (2016), corporate waqf, sukuk musyarakah, sukuk ijarah and waqf Islamic real estate investment trust (i-REIT) have the potential to contribute to waqf fundraising. In addition, the

proof of replication of this instrument is the development of waqf shares through a dialysis center amounting to RM6 million by the Johor Islamic Religious Council.

### **The Potential of Waqf in Strengthening the Economy of Muslims**

Based on the Islamic muallamat system, waqf is a tabarru'at contract that aims to perform charity through infaq property in order to gain the pleasure of Allah (Isamail, Rosele, & Ramli, 2015). In addition to performing ibadah, a donor (waqif) still carries out the task of helping the ummah by contributing to economic development through the sharing and redistribution of wealth to the needy (Rahman, 2009). By the 21st century, the problem of poverty and unemployment is still an issue in society. Despite decades of independence, the problem of poverty is not over. The fact is, the issue of poverty still exists even in developed and modern countries. According to Shaikh, Ismail, & Shafiai (2017), among the causes of poverty is due to injustice in the distribution of resources and income inequality. In a capitalist economy for example, there are characteristics and policies that tend to oppress without thinking of others. Among the characteristics are the greedy exploitation of natural resources and labor, the accumulation of profit by extreme means and the expansion of trade territory (Huda, 2016). Ultimately, this capitalist system has become a threat to the economies of poor and developing countries in order to develop their economies. However, this is contrary to the Islamic economic system which is more concerned with the welfare of the ummah in a balanced way, without any discrimination. Based on social interest, the Islamic economic system promotes cooperation and good competition in business. In addition, the Islamic economic system also encourages social welfare contracts such as waqf, zakat, hibah and others (Khaer, 2017). Thus, through the discussion in this paper, waqf is the best mechanism in helping society and the country so that social problems such as poverty, unemployment and illiteracy can be eliminated. Through cash waqf for example, nazir can conduct musharakah, mudharabah, ijarah and so on (Zakaria & Muda, 2017). For instance, a mudharabah contract can create new businesses and entrepreneurs. In the meantime, this waqf fund can also be channeled to the Islamic micro financing sector to further expand the economic potential of Muslims (Thaidi, Ab Rahman, & Ab Rahman, 2019).

### **Social Entrepreneurship in Islam**

Social entrepreneurship is a field that is growing in terms of theory and practice. Worldwide, social entrepreneurship is increasingly being discussed to elevate its goals, which are more potential in economic and social aspects, than conventional entrepreneurship. Therefore, social entrepreneurship is considered a complementary element, not an alternative. Gillis & James (2015) associated social entrepreneurship with an approach that fits the needs of today, which is based on three main aspects namely People, Planet and Profit (3Ps). These three aspects include ethical leadership, sustainability and economic values as collective prerequisites for social entrepreneurship. In Islam, social entrepreneurship is a mechanism that is practiced for the purpose of accomplishing social goals by using conventional entrepreneurial skills, and most importantly expect reward and pleasure from Allah SWT. There are past studies that highlight the effects of religious influence in carrying out charitable and volunteer activities. Individuals who are engaged and adhere to religious and moral values are more inclined and committed in engaging with welfare and community-oriented programs in society. In addition, Muslims have

been inspired by the verses of the Qur'an and hadiths that mention related to every good deed will be rewarded with reward and paradise (Salarzehi, Armesh, & Nikbin, 2010). Imam al-Ghazali stated that a Muslim has the right to another Muslim by giving assistance to his fellow Muslims who are in need and want, according to their ability. In this case, Islamic social entrepreneurship has an advantage in terms of muamalah instruments that have been a practice since long time ago such as waqf, zakat and so on. Therefore, these instruments should be used properly so that more people get benefits from this practice, over a longer period of time (Nawi, 2018). Thus, waqf as one of the instruments in Islamic economic development (Fuadi, 2018) is very suitable to be adapted in the context of corporate, business model and social entrepreneurship (Iman & Mohammad, 2017).

### Conclusion

In conclusion, waqf and social entrepreneurship are two mechanisms that have the same goal which is to strengthen economic development in the community. Waqf can distribute wealth to those in need and use financial funds and property assets in line with humanitarian needs. Waqf also has great potential to be coupled with the elements of Islamic social entrepreneurship to generate productivity that will greatly benefit the community and in turn develop a better economic system. This is because waqf has advantages in terms of funds and assets. While social entrepreneurship has principles and guidelines in order to achieve its goals. As a suggestion, waqf institutions can collaborate with Islamic financial bodies or non-governmental organizations (NGOs) to generate profits as well as distribute benefits to strengthen the social and economic strength of Muslims and Islamic countries.

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