

Waqf management reform: A pathway to alleviate poverty within Muslim societies

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ARTICLE INFO

Article history:

Received 16 October 2022

Accepted 2 January 2023

Published 31 January 2023

Keywords:

Waqf

Poverty

Waqf institution

Muslim community

DOI:

10.24191/jeeir.v11i1.20680

ABSTRACT

Poverty has been a persistent challenge throughout human history and remains a significant issue globally, especially in developing countries. This paper aims to explore the potential impact of Waqf (Islamic endowment) in alleviating poverty and promoting socioeconomic development within the Muslim community. As an Islamic economic tool, Waqf was introduced to improve the standard of living and support individuals in need. Using a socio-legal paradigm, this paper qualitatively analyzes the available literature to highlight and discuss the role that Waqf plays in poverty reduction and improving people's quality of life. The research reveals that the Waqf institution has significant financial and infrastructural resources that can play a crucial role in reducing poverty in the Muslim community. Historically, Waqf has been used to provide revenue, support social welfare and economic development, and enhance infrastructure over extended periods. However, the management of Waqf institutions in Muslim societies requires improvement to facilitate further progress. This paper recommends that policymakers reform Waqf management and encourage its greater involvement in poverty reduction efforts. By doing so, Waqf could become an essential tool for reducing poverty and improving the socioeconomic status of the Muslim community.

1. Introduction

Poverty reduction has been recognized as one of the most significant global challenges for an extended period of time. Various development programs aimed at addressing the issue have focused on fulfilling basic needs to reduce poverty and improve living standards. In this regard, the private sector has played a fundamental role in generating economic growth, creating employment, and offering solutions to significantly reduce poverty levels (Yakubu et al., 2021).

Islamic teaching obligates Muslims to perform charitable acts, and this is considered a reward for their charitable actions. Poverty reduction is an essential consideration and objective of the Islamic economic

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system, as it is one of its main objectives. The system sets up a financial assistance mechanism that provides support and assistance to the poor, needy, and less privileged people in order to promote and sustain their welfare. Islamic economic systems do not prioritize the survival of the fittest but focus on helping the poor, the less privileged, and the needy. The Waqf system, which is a voluntary donation made to individuals who wish to support the needy, underprivileged, and other charitable purposes in accordance with Shariah (Islamic law), is a key tool in the Islamic economic system for reducing poverty (Abdullah, 2020).

Waqf is a classical mechanism of perpetual Islamic charity, also known as Muslim endowment. Waqf's primary objective is to aid the poor and provide charitable service to the indigent (Abdullah, 2020). In general, a Waqif (the endower) of a Waqf has a strong religious conviction that strengthens their motivation for creating a Waqf, with the belief that such a charitable act will bring them continuous spiritual rewards. Waqf embodies the concept of Sadaqah Jariyah (perpetual charity), a remarkable concept that has gained prominence in its comprehensive framework. Waqfs are established by donors (Waqifs) who have the freedom to allocate their funds for various purposes according to their guidelines. Due to the flexibility and lifetime reward of Waqf, a large number of Muslim donors have chosen it for charitable purposes (Kahf, 2002). The purpose of Waqf is further elaborated in Figure 1, which highlights the different types of Waqf and their objectives.

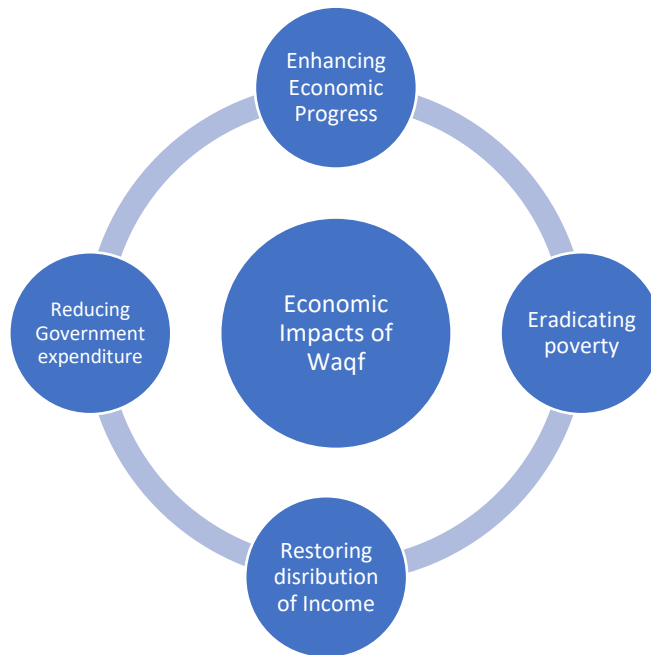


Figure 1. The economic impact of waqf

Various policies and strategies have been implemented in different countries over the years to address the issue of poverty. Despite these efforts, poverty remains a persistent problem in many countries. Muslim countries inherited strong institutions, such as Zakat, Sadqa, and Waqf, from their predecessors that were traditionally used to rehabilitate and support the poor. These institutions were highly effective in the past, but have been neglected in recent years (Shirazi, 2014).

Zakat, which is one of the five pillars of Islam, involves the obligation of Muslims to give a portion of their wealth to the poor and needy. However, in many cases, these transactions do not pass through proper channels, are not recorded or planned, and are not part of a larger strategy. Consequently, it is difficult to assess the effectiveness of Zakat as a strategy to reduce poverty. Similarly, the institution of Waqf suffers from similar problems. It is important to revive and organize these institutions through proper planning to increase the government's income and support social welfare programs (Shirazi, 2014).

Poverty is a widespread issue in the Muslim world, affecting the living standards of a significant portion of the population in African, Asian, and Middle Eastern regions. In fact, the Muslim community has the highest percentage of underprivileged and impoverished individuals globally, with many living on less than \$2 a day due to low productivity and inequality (Amuda & Embi, 2013). Corruption exacerbates the economic hardships experienced by Muslims, leading to financial constraints that affect their religious, moral, social, and mental well-being (Saiti et al., 2019). To address this, the use of cash waqf systems has been proposed, with successful implementations observed in Malaysia, Singapore, Bangladesh, and Turkey (Saiti et al., 2019).

This paper presents a literature review on waqf as a main poverty alleviation tool in the Muslim world. It consists of five main sections, excluding the introduction and conclusion. The second section offers a literature review, briefly discussing the historical context of poverty and the potential of waqf for poverty alleviation. The third section describes the data sets and methodology used in the paper. In section four, sources of income for global cash waqf institutions are explored, highlighting how good governance and proper waqf management can work together to alleviate Muslim poverty. Finally, the conclusion provides a summary of the paper's findings.

2. Literature review

The Islamic endowment or Waqf is a perpetual charitable mechanism with the main objective of serving charitable purposes and helping the poor (McChesney, 2014). Waqifs or endeavors generally create a Waqf out of religiosity as an expression of their faith, which promises constant spiritual reward (Kahf, 2002). Cash Waqf is defined as amounts of money enclosed by the founder for the welfare of society in perpetuity, in accordance with the conditions set by the founder (Abdel Mohsin, 2009, p. 40). Cash waqfs are believed to be one of the most effective ways to alleviate poverty, particularly for Muslim communities, as society would exclusively benefit from the land's resources.

In the contemporary Islamic environment, cash waqf is an excellent way of endowing funds in perpetuity as it is a liquid fund. The main objective of a cash waqf is to benefit people in need and to bring about a positive impact on society by donating a portion of money, which can be allocated to poor people's family rehabilitation, financing relevant research, supplying free books, and improving educational programs (Mizanur Rahman & Nurul Islam, 2019; Bakar et al., 2019). Moreover, the initiative can mobilize the waqf fund in a new way by establishing health centers and providing reasonable quality medicines to the poor. Waqf funds can also provide health and sanitation services to the poor, making it a tool for creating economic or social benefits multipliers (Masyita et al., 2005).

According to Hassan et al. (2021), a cash waqf is an efficient way to alleviate poverty, and it can be used as a solution when the government cannot be the sole source of funding for poverty alleviation. Trustee boards usually establish waqf funds by collecting donor contributions, investing the funds in real estate or Shariah-compliant mutual funds, and donating the investment profits to charitable causes that increase society's well-being, among them poverty alleviation. Syed Mohd Ghazali Wafa (2010) stated that developing a waqf for education in Malaysia has a significant impact in promoting the significant waqf rule towards the country, establishing various business and project opportunities to establish economic

activities, providing complementary assistance to developing, benevolent, and educational programs, and fostering society's unity.

2.1 *An overview of waqf for the welfare of society*

A waqf is a detention of something owned by someone and devoted to good purposes, according to Imam Abu-Hanifah. However, it is generally known as Sadaqah, the voluntary act of charity that is rewarded by Allah in the afterlife. Prophet pbuh encouraged Muslims to give continuous Sadaqah, an act of charity that produces a multitude of benefits, including income that is easily reachable and can be used to accomplish the intended purpose. There are many Hadiths that support this suggestion. Waqf is an economic tool that has drastically reduced poverty and served a wide range of social needs throughout history (Yakubu et al., 2021).

Waqfs are established for religious and social purposes to meet the needs of the community. The Mosque of the Prophet (PBUH) in Madinah was the first one, constructed by the prophet (PBUH). The prophet (pbuh) suggested that other Waqfs be established to benefit society, such as the land of Khyber endowed by Umar, which would yield fruit for social purposes. The land of Khyber is intended to provide fruit to the poor, free slaves, and various guests and wayfarers, as well as a reasonable amount of fruit for the caretaker. Another example is the purchase of a water well (Bi'r Rumah by Uthman) and making it available to everyone in Madinah. History indicates that waqf has grown year after year (Shirazi, 2014). Waqfs play an essential role in defining the religious, social, cultural, and economic facets of Islamic society. In modern Islamic economics, the waqf system can make a significant contribution to reducing government spending, which leads to a reduction in government borrowing and lowers the budget deficit (Cizakca, 1998).

Although the revenues of Waqf are inadequate to maintain the Mosque itself, historically significant contributions have been made by the Waqf in social development and poverty alleviation. The changes that have occurred in its management system have made this possible. The colonial era brought misery to the Awqāf, and thousands of families were disadvantaged or forced to work in other areas under foreign rule. It was proposed that a data bank containing all Waqf properties in all countries be created to manage the Waqf effectively and efficiently. It was also suggested that family Waqfs be revived and developed along with the waqfs' properties (Khan, 2015).

2.2 *Potential of waqf*

Governments are increasingly looking to revitalize Waqf, motivated by its potential to alleviate poverty. In addition to its potential for enhancing productivity and efficiency, Waqf can also play a significant role in education, finance, and healthcare (Shirazi, 2014; Bakar et al., 2019). It is important to note that Waqf can assist the needy not only in the short run, but also in the long run. In recent years, various organizations have been trying to organize Awqf property, which is often neglected or misused. For instance, the Indonesia Waqf Board (IWB), an independent board, was established to empower people and promote religious interests through the economic benefit of Waqf assets. It is estimated that Indonesia has 358,710 Waqf locations, totalling 1.5 million square meters (Indonesia Waqf Board). This Waqf fund can be utilized to help the poor, as part of a program designed for their benefit. Cash Waqf has also grown rapidly in Indonesia, thanks to its versatility and potential to help the poor. The Indonesia Waqf Deposit manages cash Waqf (IWD), and it has greatly simplified the management and distribution of cash Waqf. The cash AWQS is estimated to collect 3 trillion Rupiah annually (Shirazi, 2014).

Waqf deeds can be classified into several categories, depending on their purpose. Philanthropic Waqfs are solely dedicated to charitable purposes. A Waqf established for individual purposes, such as benefiting family members or friends, is commonly known as a family Waqf. The Waqf may also serve both family

and philanthropic purposes as an alternative to these two types, and it is classified as a mixed Waqf. Besides constructing and maintaining places of worship, religious Waqf is another form of Waqf (Abdullah, 2020).

The potential of Waqf to contribute to sustainable development is immense. Many governments are now exploring ways to harness the potential of Waqf to finance infrastructure and social development projects. For example, the Malaysian government has established the Waqaf An-Nur Corporation Berhad, a public company that aims to promote and manage Waqf assets for social and economic development purposes. The company focuses on developing Waqf assets in strategic locations, such as transportation hubs, to enhance their economic and social impact. The utilization of cash waqf in public services is highly beneficial due to its simplicity and flexibility in management, as it does not require large amounts of wealth or physical space, and also addresses the issue of unproductive and immobilized waqf properties (Ali, 2017).

In addition to financing development projects, Waqf can also play a significant role in promoting financial inclusion. In many Muslim-majority countries, a significant portion of the population remains unbanked and lacks access to formal financial services. Cash Waqf can be used to provide microfinance and other financial services to marginalized communities. For example, the Indonesian government has established the Cash Waqf Development Fund to support the development of cash Waqf products that provide financial services to the poor (Rusydia et al., 2021). By promoting financial inclusion, Waqf can contribute to poverty reduction and economic development, particularly in developing countries.

3. Methodology

This study aims to provide a thorough analysis of the waqf system as a tool for reducing economic hardship among Muslims. In order to achieve this, the paper employs content analysis and document analysis as research methods. Qualitative research methods are also used to identify human and societal experiences related to the waqf system. As this study is primarily focused on the waqf mechanism, numerical explanations are less relevant. The analysis is based on secondary data and extensive literature reviews. The use of literature review method is particularly important for understanding the historical background, theoretical claims, and theoretical tools of the waqf system. This paper synthesizes relevant literature on the waqf system and offers a critical analysis of its potential for poverty alleviation among Muslims.

4. Waqf as a mechanism for poverty reduction

4.1 Global cash waqf institution's (GCWFI) income source

To ensure proper functioning, it is imperative that the main offices of a global cash waqf fund are located in close proximity to its headquarters, which will facilitate governance activities. Furthermore, the efficacy of the Global cash waqf institution (GCWFI) is influenced by the positioning of its headquarters as well as its prior experience. The cash waqf system has been in practice since the 15th century and was widely adopted by the Ottomans, contributing significantly to poverty reduction. Even in contemporary times, Turkish citizens remain acquainted with this practice (Saiti et al., 2021).

Despite the primary goal of reducing poverty in Muslim nations, it is crucial to note that a key component of the global cash waqf institution's role is to facilitate the flow of financial resources. The mobilization of funds on a global scale can be accomplished either by collecting funds from donors or by distributing funds to beneficiaries. Following donations from various contributors, a portion of the funds will be invested by the GCWFI in the sectors outlined in the preceding section to alleviate poverty in Muslim countries. Although it is vital to initially distribute profits in accordance with donors' preferences, as the institution has been appointed as a trustee, the GCWFI may divide the revenue into three parts. This distribution

method is similar to that of Malaysia, where 75% of the revenue is allocated to poverty-eradication programs, 15% is allocated to administrative fees, and 10% is invested to maintain and grow the capital while safeguarding it against economic crises such as financial and inflationary crises. Waqf institutions typically collaborate with Islamic banks to implement their cash waqf schemes. The Joint Management Committee (JMC) formed by the two institutions is responsible for managing the funds, and the Waqf Council oversees the committee and reports directly to the State Ruler. In order to achieve the objectives of the cash waqf, the JMC allocates cash donations to appropriate projects, and the bank managing the cash waqf funds makes investments on behalf of the waqf. The returns on investments are then divided in the following manner: 25% of the investments are allocated to the cash waqf institution to cover administrative costs and protect the original capital from losses, while 75% is allocated to the cash waqf institution to achieve its objectives (Azmi & Hanifa, 2015).

The following sections examine several successful cases of cash waqf implementation in several emerging economies.

4.2 *Waqf in Malaysia*

In Malaysia, waqf is classified into two categories: general waqf and cash waqf, with distinctive differences in management compared to other countries. Malaysia has imposed several regulations governing waqf funds, controlled by the States Islamic Religious Council, which includes federal territories and 13 states (Mahamood, 2016). However, fund management laws vary between states, resulting in non-uniformity, non-standardization, and non-comparability issues (Hassan et al., 2019).

Cash waqf has gained popularity in Malaysia in recent years. The Malaysian National Fatwa Council authorized the establishment of cash waqf by the Yayasan Wakaf Malaysia in 2007. The Selangor State Religious Council (SSRC) has accumulated a substantial cash waqf fund that benefits Muslims in various ways, including debt settlement, investment in real estate, Islamic economic development, and financing small and medium-sized enterprises (Kahf, 2002). A cash waqf trustee (*mutawalli*) has various responsibilities to oversee and manage the monetary donations for charitable purposes. Yayasan Wakaf Malaysia pools money to develop a long-term property that benefits the community. There are several statutes that govern waqf funds created to hold property donations and income from Mawquf or Istibdal (Saad et al., 2017).

The Islamic religious council of each state introduced their own cash waqf system. For instance, the Islamic Religious Council of Selangor (MAIS) introduced a new Waqf scheme called Skim Saham Waqf – a scheme to purchase shares in waqf properties. Other states, such as Malacca, Johor, Pahang, Terengganu, and Penang, have implemented waqf share schemes. Managing cash waqf is less challenging than fixed assets, such as land, because of its manageable and distinct features. It can be capitalized on various Islamic investment instruments and utilized to sponsor development projects, generating revenue that can be used for Muslim-related projects (Khan, 2019). Large cash waqf funds contribute significantly to Islamic economic development and can be used as loans for small and medium-sized enterprises. Moreover, it can help ease Islamic debt problems, including house foreclosures and bad debt accumulation. The cash waqf also expands the ownership rights of Muslims because every asset acquired is waqf (Saiti et al., 2019).

4.3 *Potential for cash waqf in Malaysia*

Malaysia has the potential to benefit greatly from the implementation of cash Waqf. If each Malaysian Muslim contributes RM1 every day for 30 days, the total amount of cash Waqf collected could reach up to RM4.3 billion in a given year. This could have a significant impact on reducing poverty and promoting social welfare programs across the country. Penang, in particular, has recognized the potential of cash Waqf

and has aligned its strategic goals to ensure the long-term success of its cash Waqf program. The state government has established the Penang Islamic Religious Council (MAINPP) Cash Waqf Fund to collect cash Waqf from the public, which is then used for various social welfare programs, such as providing assistance to the poor and needy, building mosques and schools, and funding medical research and services (Hassan et al., 2019). The success of the Penang Cash Waqf program has inspired other states in Malaysia to follow suit and implement similar initiatives, which could lead to significant benefits for the overall well-being of the country's Muslim population.

Furthermore, cash waqf has gained momentum in Malaysia over the past decade due to the government's efforts to promote it as a tool for poverty alleviation and socio-economic development. The Malaysian government has created an enabling environment for the development of cash waqf, with supportive legal and regulatory frameworks, as well as incentives for donors to contribute to cash waqf. In 2016, the Malaysian government launched the Cash Waqf Fund, a centralized cash waqf platform that enables individuals and organizations to contribute to cash waqf projects across the country. The government has also encouraged the establishment of cash waqf funds by state Islamic councils and private institutions.

In addition to poverty alleviation, cash waqf in Malaysia has also been used to fund various other initiatives such as education, healthcare, and community development projects. The success of cash waqf in Malaysia can be attributed to the strong institutional framework and the government's support for its development. The government's efforts have helped to create awareness among the public about the potential of cash waqf as a tool for social welfare, and have led to increased contributions from individuals and organizations. As such, cash waqf has become an important source of funding for social welfare programs in Malaysia, and is expected to continue to grow in the future. Nevertheless, placing waqf solely within the states' power, where each State Religious Council has its own set of laws governing the collection, management and distribution of cash waqf, would limit the mobilisation endeavour of waqf asset and enjoyment of this noble concept by non-Muslims, thereby requiring a revision of the current position of waqf (Ali, 2017).

4.4 Waqf in Singapore

The first waqf fund in Singapore was established by Indonesian Syed Omar Aljunied. In 1905, the first waqf legislation in Singapore included both Muslim and Hindu endowments. Syed Omar Aljunied not only built mosques but also established revenue streams to ensure their religious maintenance and operation. Socio-religious enterprises have emerged, and philanthropists invest in charities and non-profits (Hassan et al., 2019).

In Singapore, Waqf funds in the form of cash are unique, and they are primarily used for constructing mosques. Muslim employees regularly donate a fixed amount to the fund under the cash Waqf philosophy. As of 1 July 2005, around 175,000 Muslim donors had contributed to cash waqf funds. Their employer deducted their contribution from their salary each month through the Central Provident Fund. Muslim employees contribute approximately \$6 million annually to the fund. The waqf authority has accumulated \$130 million from this fund to construct 22 mosques. When these instruments are created from a pool of money, waqfs are excellent instruments for building mosques. They generate income streams to cover the mosques' operational costs (Hassan et al., 2019).

The role of waqf in Singapore has evolved over time to help alleviate poverty among Singaporean Muslims. In the early years, Waqf funds were mostly used to construct mosques and other religious buildings. However, in recent years, Waqf funds have been used to support a wide range of social and welfare initiatives. For example, in 2017, the Majlis Ugama Islam Singapura (MUIS) launched a \$30 million waqf fund aimed at supporting the educational, social and welfare needs of the Muslim community.

This fund was established to provide scholarships for underprivileged students, support for the elderly, and aid for those struggling with financial difficulties.

In addition to supporting social and welfare initiatives, waqf funds have also been used to provide microfinance to the Muslim community in Singapore. For instance, in 2017, MUIS launched a microfinance scheme called the Islamic Microfinance Scheme (IMS), which is funded by waqf funds. The scheme aims to provide interest-free loans to the Muslim community, especially those who are unable to obtain financing from mainstream banks. The loans are provided to support entrepreneurship and small businesses, as well as to provide support for individuals who are struggling with debt or other financial difficulties. The IMS has helped many Muslims in Singapore to overcome poverty and achieve financial stability, providing an alternative to traditional lending models that often come with high-interest rates and other challenges.

4.5 *Waqf in Turkey*

Turkey has a rich history of waqf concepts that has been prevalent for centuries. The Ottoman Courts during the 15th and 16th centuries approved a special type of cash endowment fund, and land property has been the most common backing for waqf funds in Turkey. This ensured continuity of charity and reduced uncertainty. Waqf funds were used to create many movable properties over the years, with cash waqf and waqf being the mainstays of Turkish public facilities during the Ottoman era. Public services such as education, social welfare, utilities, and religious activities were supported by cash waqfs in the past. The government could then focus on other development areas as the waqf funds covered many of the public works. Nowadays, while education expenses are covered by the Turkish government, cash waqf still provides financial services to ease the intricate financial services of the local community and to keep the credit flow alive (Cizakça, 2004).

According to Cizakça's study, approximately 10% of Bursa's population uses financial services or borrows money from Waqf funds. Cash waqfs serve specific purposes that contribute to greater social welfare and leave a lasting impression on society. There are several purposes of cash waqf, such as supporting education, providing food and water to the poor, assisting those with medical needs, providing legal services, and paying bail for those in jail (Cizakça, 2004). By establishing and utilizing cash waqf funds, Turkey has been successful in addressing many social welfare issues, including poverty reduction, financial assistance, and access to basic needs. Cash waqf funds have been utilized to support various causes, including funding mosques, constructing social housing, and providing microfinance to local communities, among others. Therefore, cash waqf in Turkey has proven to be an effective instrument in achieving socio-economic development and in promoting the welfare of the society at large.

Over the years, the waqf system in Turkey has undergone significant changes, but its significance has not diminished. The Turkish government has implemented policies to regulate and manage the waqf system in the country. The government has also invested in waqf funds to provide financial support to people living in poverty. In addition, the government has established various waqf institutions, such as schools and hospitals, to provide basic necessities to people living in impoverished areas. One of the most significant examples of waqf funds in Turkey is the Tuzla Cash waqf, which is a joint project between Tuzla Municipality and Istanbul Chamber of Tradesmen and Craftsmen. The project aims to alleviate poverty and provide financial support to the community. Tuzla Cash waqf provides interest-free loans to low-income families and individuals who cannot obtain loans from traditional banks. In addition, the project provides vocational training programs to help people acquire skills that will enable them to earn a living. The project has also established a food bank to provide food to those in need. The Tuzla Cash waqf is an example of how the waqf system in Turkey is being used to address poverty and financial inclusion.

5. Implications of waqf and cash waqf reforms in reducing poverty

Despite the existence of numerous waqfs worldwide, their focus typically lies within six fundamental areas: food, housing, health, education, religion, and welfare. The survival of societies can be significantly impacted by the efficient management of endowments and donations in these sectors. The Ottoman Empire is a prime example of the positive impact of waqfs on society. However, poverty remains a prevalent issue in many Muslim countries, such as Indonesia and Bangladesh, where over 40 million individuals live below the poverty line, according to data from the Central Bureau of Statistics in 2005. Waqf can play a crucial role in narrowing the gap in Muslim communities, particularly in the education sector (Bakar et al., 2019), while also elevating the socioeconomic status of the Ummah. Moreover, waqf-funded investments can boost Muslim equity ownership. Social welfare projects that can be carried out through waqf are vast and diverse, including humanitarian, cultural, economic, health, education, and training initiatives. Indeed, dedicated waqf assets and resources have been utilized for numerous development activities in Islamic countries (Sadeq, 2002). Diagram 2 provides a more detailed illustration of case waqfs.

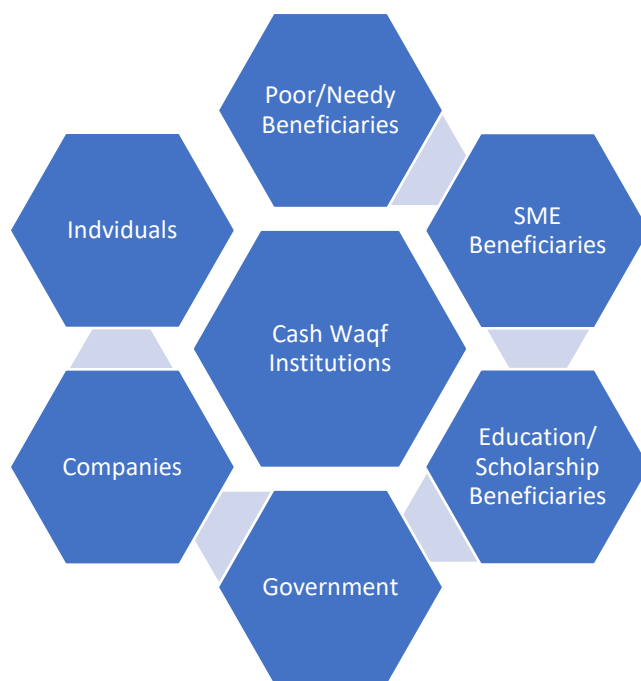


Figure 2. Stakeholders of Waqf institutions

Waqf can prove more effective than other poverty programs in addressing poverty and implementing comprehensive solutions. Waqf benefits have traditionally been used to construct and furnish shrines, maintain them, establish healthcare and treatment centers, provide food to the impoverished, and set up training facilities. Presently, waqf is also being employed to supply drinking water to urban and rural areas, support city protection, pay neighbors' taxes, and offer food to children. In recent years, cash waqf has become increasingly common in numerous Islamic societies, allowing Muslim capitalists to lend specific cash funds to provide social services to those in need (Mizanur et al., 2019).

Despite the potential of waqf to reduce poverty and support socioeconomic development in Muslim societies, the management of waqf assets remains a significant challenge in many developing countries.

Poor governance, corruption, and inadequate legal frameworks have contributed to the mismanagement of waqf assets and undermined their potential impact on poverty reduction (Ali Azizan et al., 2021). Furthermore, the lack of transparency and accountability in the management of waqf assets has deterred potential donors from contributing to waqf institutions, limiting the financial resources available for poverty reduction efforts (Yusof, 2021).

Another critical challenge facing waqf management in Muslim-majority countries is the need to balance religious and economic objectives. While waqf is primarily a religious endowment, it also has economic implications, including investment in various sectors of the economy. The balance between religious and economic objectives has been a source of controversy, with some arguing that waqf funds should be invested solely in religious activities and others advocating for broader investments to support socioeconomic development (Kamaruddin & Auzair, 2022; Mohd Sharip et al., 2019). The debate highlights the need for a clear legal framework to guide waqf management and ensure that waqf assets are used to achieve the intended objectives.

Another key issue in waqf administration is the lack of transparency and accountability, that leads to mismanagement and corruption (Saiti et al., 2021). Moreover, the traditional ways of waqf management are time-consuming, which hinders the efficient utilization of waqf resources. Therefore, there is a need to modernize waqf management by adopting technology solutions, such as fintech. Fintech can provide an innovative and efficient platform for waqf management, enabling more transparency and accountability (Zakariyah et al., 2022). Additionally, fintech can help automate and streamline various waqf processes, such as donation collection, asset management, and distribution of benefits. This will help optimize the utilization of waqf resources, making them more effective in poverty reduction and socioeconomic development. By adopting fintech solutions, waqf can become a more powerful tool in addressing poverty and promoting sustainable development within the Muslim community.

Despite these challenges, waqf management reforms can have far-reaching implications for poverty reduction and socioeconomic development in Muslim societies. Improving the management of waqf assets can increase the financial resources available for poverty reduction efforts, facilitate the implementation of development projects, and enhance social welfare initiatives. By promoting transparency, accountability, and good governance, waqf management reforms can also help to restore public trust in waqf institutions and encourage more significant contributions from potential donors, further strengthening the impact of waqf on poverty reduction and socioeconomic development.

6. Conclusion

A multitude of scholarly inquiries have posited cash waqf systems as efficacious solutions for the mitigation of income inequality. The aforementioned practices have engendered our conviction that cash waqf has demonstrated its capacity to finance an array of goods and services that are indispensable to Muslims and Muslim minorities, sans reliance on government budgetary support. Nevertheless, waqf's potential to augment societal welfare and stimulate economic activity is irrefutable, both of which can have momentous impacts. The present study has revealed that waqf is competent in eradicating poverty from multiple angles to its absolute minimum. The economic instruments employed by Muslims have historically played a pivotal role in reducing poverty and promoting well-being in Muslim communities, thus underscoring their significance. The utilization of cash waqf and waqf for poverty alleviation has enjoyed widespread success.

Therefore, history evinces that waqf, when effectively managed, can address poverty at different levels. Even in the present era, waqf can alleviate poverty. Considering its historical background, the Waqf institution can be suitable for the indigent segment of society if utilized for the purpose of resource mobilization to address socio-economic issues, such as education, healthcare, skills development, micro-

entrepreneurship, and rural water and sanitation services. Furthermore, waqf has the potential to create a fund that can be invested astutely, thus enabling the poor to endure famine and crises. Countries with extreme poverty, starvation, and disease necessitate waqf, and the waqf institution can also play a supplementary role in supporting poverty reduction programs in the existing socioeconomic milieu.

Many problems hinder the potential of waqf to alleviate poverty in several societies, including the failure to provide resources to those who qualify and poor management of the resources and institutions. However, with proper management and the distribution of wealth in a just and equitable manner, waqf has the potential to contribute to poverty reduction and promote economic development. Therefore, it is crucial for policymakers to explore and implement effective strategies that leverage the potential of waqf for social and economic development. This includes developing appropriate legal frameworks, enhancing public awareness and participation, and establishing effective institutional mechanisms to manage and monitor waqf activities. By doing so, it may be possible to unlock the full potential of waqf to promote sustainable development and reduce poverty in Muslim societies and beyond.

Acknowledgements

The authors would like to acknowledge the support of International Islamic University Malaysia for providing the facilities and support on this research.

Conflict of interest statement

The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declare the absence of conflicting interests with the funders.

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